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DEBT MANAGEMENT REPORT

2003-2004

Canada



DEBT MANAGEMENT REPORT

2003-2004



Department of Finance
Canada

Ministère des Finances
Canada

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Foreword by the Minister of Finance

I am pleased to table before Parliament the Government of Canada's *Debt Management Report* for fiscal year 2003–04. It provides accountability by outlining in detail the financial management of Canada's debt.

Canadians today are reaping the rewards of sustained fiscal responsibility. The previous “vicious cycle” of annual deficits, rising debt, higher interest rates and high taxes has been replaced by a “virtuous circle” of seven consecutive budget surpluses, a declining debt burden, rising consumer and business confidence, the largest tax reductions in Canadian history, low interest rates and consistently strong economic performance. This has enabled us to reduce the federal debt by more than \$61 billion since we balanced the budget in 1997–98, while maintaining the resources needed to deal with recent security threats, health emergencies like severe acute respiratory syndrome (SARS) and the impact of bovine spongiform encephalopathy (BSE). This fiscal responsibility also enabled the Government to provide \$36.8 billion in funding over five years under the 2003 First Ministers' Accord on Health Care Renewal—funding that will be key to ensuring timely access to quality health services for all Canadians.

Such prudence with a purpose means our debt-to-GDP (gross domestic product) ratio today stands at 41.1 per cent, its lowest level since 1983–84. In the process we have freed up \$3 billion in reduced interest charges every year that can now be invested in national priorities. As I indicated in the 2004 budget, we will maintain this responsible, prudent approach with a goal of reducing Canada's debt-to-GDP ratio to 25 per cent within 10 years.

This year's *Debt Management Report* highlights ongoing efforts to improve the management of our debt. Examples over the past year include:

- Reducing debt costs by beginning to gradually lower the fixed-rate debt component from two-thirds to 60 per cent.
- Maintaining an efficient, well-functioning market for Government of Canada securities through such measures as a bond buyback program.
- Encouraging a broad group of market investors in Government of Canada securities.
- Continually ensuring the federal debt program is well managed.

By never wavering from the “bottom line” of balanced budgets, the hard-earned rewards of fiscal responsibility will continue to ensure a prosperous future for our country.

The Honourable Ralph Goodale, P.C., M.P.
Minister of Finance
Ottawa, December 2004

Purpose of This Publication

The *Debt Management Report* provides a detailed account of the Government of Canada's borrowing, cash and foreign exchange reserves management operations over the fiscal year from April 1, 2003 to March 31, 2004.

It provides a comprehensive report on the environment in which the debt is managed, its composition and changes during the year, and strategic plans set out in the 2003–04 *Debt Management Strategy*, published in March 2003. A set of reference tables containing statistics on the operation of debt programs is also provided.

The information contained in this report is designed for a range of interested parties to ensure transparency and public accountability in the Government's borrowing and cash management activities. The *Debt Management Strategy* and the *Debt Management Report* are tabled annually in Parliament and are available on the Department of Finance Web site at www.fin.gc.ca.

Federal Debt Management

Strategic management of the federal debt focuses on two key elements: market debt, and liquid financial assets of the Government of Canada. As of March 31, 2004, the Government had \$440.2 billion of market debt composed of marketable bonds, Treasury bills, retail debt, foreign currency debt, Canada Pension Plan (CPP) bonds and obligations related to capital leases, and \$61.7 billion of liquid financial assets composed of domestic cash balances and foreign exchange assets.

	(C\$ billions)
Market Debt	
<i>Payable in Canadian currency</i>	
Marketable bonds	278.8
(fixed-rate bonds with 2-, 5-, 10- and 30-year maturities and real return bonds with 30-year maturities)	
Treasury bills	113.4
(zero-coupon securities with 3-, 6- and 12-month maturities)	
Retail debt	21.3
(Canada Savings Bonds and Canada Premium Bonds)	
CPP bonds	3.4
Obligations related to capital leases	2.8
<i>Payable in foreign currency</i>	
Marketable bonds and foreign currency notes	17.1
(fixed-rate bonds, Canada notes and Euro Medium-Term Notes)	
Canada bills	3.4
(zero-coupon securities with 1- to 9-month maturities)	
Liquid Financial Assets	
Cash	20.5
Foreign exchange reserves	41.2

This document is structured as follows:

- Part I describes the fiscal environment in which the debt is managed and the composition of market debt, which the Government strategically manages.
- Part II reports on the 2003–04 debt strategy by major theme: risk/cost, liquidity, participation and governance.
- Part III provides details on activity in the individual domestic and foreign debt programs during 2003–04.
- Annexes explain the composition of the federal debt and the Government's framework for managing financial risk.
- Reference tables provide historical information on the funding activities of the Government.

Overview

In 2003–04 the Government continued to reduce its level of indebtedness. On a full accrual basis of accounting the federal debt was reduced to \$501.5 billion, down \$61.4 billion from its peak in 1996–97. The 2003–04 budgetary surplus of \$9.1 billion was used primarily to increase financial assets, which rose by \$9.5 billion. Market debt declined by \$2.2 billion while obligations to pensions and other accounts increased by \$2.6 billion. Both other liabilities and non-financial assets increased by \$0.6 billion. Debt-servicing charges were down \$1.5 billion from fiscal year 2002–03 as a result of a 20-basis-point reduction in the average interest rate paid on the public debt. Since 1996–97 the cumulative reduction in indebtedness and reduction in the average interest rate have reduced debt charges by \$11.5 billion. Lower debt-servicing charges benefit all Canadians.

The advent of a period of federal budgetary surpluses in the second half of the 1990s ushered in a new area in federal debt management—one focused on maintaining a well-functioning market for debt or fixed-income securities in an environment of declining borrowing needs. Over the past several years the primary focus of adjustments to government borrowing programs has been in this domain.

Debt, cash and reserve management actions in 2003–04 included the beginning of the orderly reduction in the fixed-rate share of the debt from a target of two-thirds to 60 per cent by 2007–08, with resulting adjustments to the sizes of the Treasury bill and bond programs. The fixed-rate share fell from 66 per cent to 64 per cent over the course of the year. The stock of Treasury bills increased by \$9.0 billion to \$113.4 billion, while the stock of bonds declined by \$10.9 billion to \$258.2 billion. Bond repurchases totalled \$10.7 billion.

Operational refinements continued to be made to the debt program to improve its functioning, including moving the time of Treasury bill auctions to the morning (when the market is most active) and reducing the target size for the 10-year benchmark bond to maintain an annual benchmark cycle.

As part of good governance and management, different aspects of the debt program are reviewed periodically. These reviews are conducted internally at the Department of Finance and Bank of Canada or by external specialists. In 2003–04 reviews were undertaken on the governance framework, the retail debt program and the real return bond program.

This report also features indicators that are intended to provide interested parties with an understanding of some of the key measures that debt managers follow with respect to debt management programs and well-functioning securities markets.

Debt Strategy Framework

Purpose

Raise stable, low-cost funding for the Government of Canada.

Principles and Objectives

Well-functioning market

- Emphasize transparency, liquidity and regularity in the design and implementation of domestic debt programs in order to maintain a well-functioning domestic government securities market.
- Work with market participants and regulators to enhance the integrity and attractiveness to investors of the market for Government of Canada securities.

Cost-effectiveness

- Manage the structure of the debt by balancing cost and risk to help protect the Government's fiscal position from unexpected increases in interest rates.
- Minimize the cost of carrying reserves (i.e. the difference between interest paid on foreign currency liabilities and interest earned on reserve assets).

Prudence

- Raise funding for domestic operational needs in Canadian dollars, and immunize currency and interest rate risks arising from the management of the foreign reserves by matching foreign liabilities to reserve assets.
- Manage the Receiver General cash position to ensure that cash balances are maintained at reasonable cost to the Government.
- Control credit risks through diversification.
- Borrow using a variety of instruments, a range of maturities and a diversified investor base.

Consultations

- Seek input from market participants on major adjustments to the federal debt, cash and reserves management programs.

Best practices

- Ensure that the operational framework and practices are in line with the best practices of other comparable sovereign borrowers and the private sector.

Part I: Debt Management Context

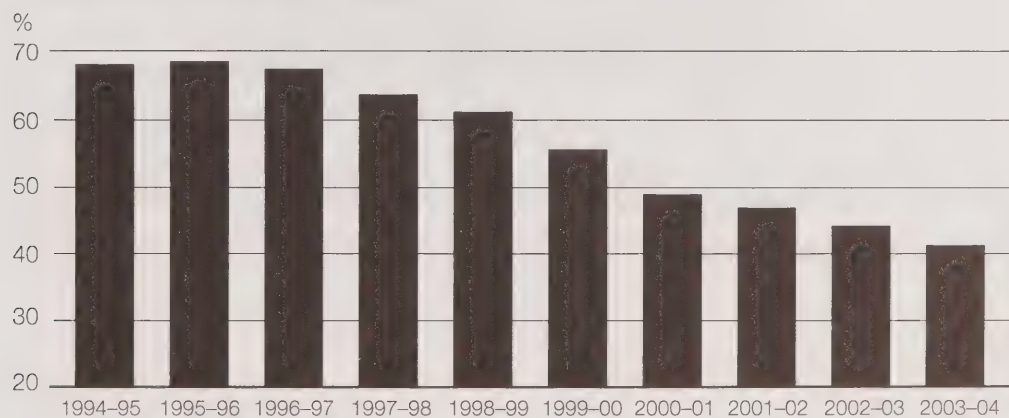
Since the annual debt-servicing cost is the largest single budget expense of the Government, effective management of the federal debt is especially important for all Canadians. This section provides an overview of the Government's fiscal plan and the composition of the debt stock. The Government's fiscal position sets the context within which debt management decisions are taken. One of the key decisions of debt management relates to the composition of the debt stock, which directly affects debt costs.

The Fiscal Plan

Budgetary Outcome

Canada has experienced a remarkable turnaround in its fiscal position in recent years: the Government recorded a budgetary surplus of \$9.1 billion in 2003–04, its seventh consecutive budgetary surplus; the federal debt has been reduced by \$61.4 billion from its peak in 1996–97; the federal debt-to-GDP ratio has fallen 27.3 percentage points from its peak of 68.4 per cent in 1995–96 to 41.1 per cent in 2003–04, its lowest level since 1983–84 (see Chart 1); and fiscal and monetary policy credibility have contributed to lower interest rates. For detailed information, see the 2003–04 *Annual Financial Report of the Government of Canada* at www.fin.gc.ca/toce/2004/afr_e.html.

Chart 1
Federal Debt-to-GDP Ratio



Source: Department of Finance.

Financial Source/Requirement

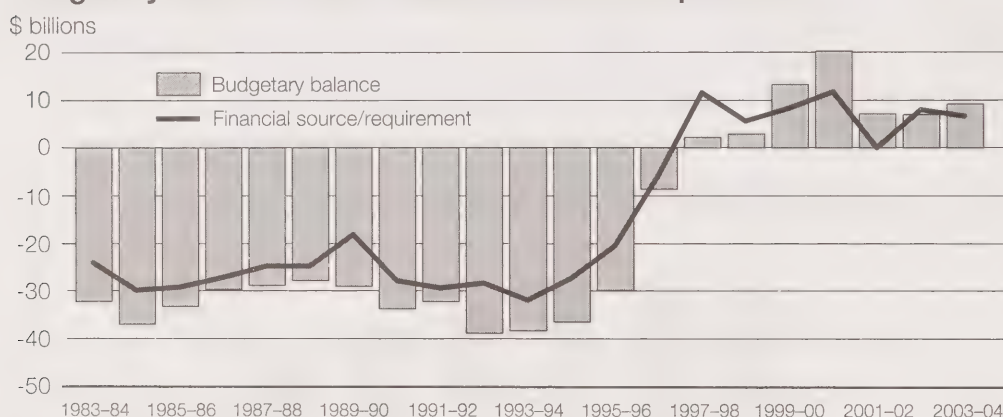
The key budgetary measure for market debt management is the financial source/requirement. While the budgetary balance is presented on a full accrual basis, recognizing revenues and expenses when they are incurred, the financial source/requirement is a cash flow measurement that captures the current- and prior-year budgetary items, as well as the cash implications of non-budgetary transactions. As such, the financial source/requirement determines the changes in the market debt and in the level of financial assets.

The budgetary surplus of \$9.1 billion and a net requirement of funds from non-budgetary transactions of \$2.8 billion produced a financial source of \$6.2 billion in 2003–04. This compares to a financial source of \$7.6 billion in 2002–03 and a requirement of \$0.3 billion in 2001–02.

The Government has recorded a financial source in six of the past seven years (see Chart 2). The financial source in 2003–04 was used to increase cash balances by \$4.1 billion and to reduce market debt by \$2.2 billion.

Chart 2

Budgetary Balance and Financial Source/Requirement



Sources: *Public Accounts of Canada* and Statistics Canada.

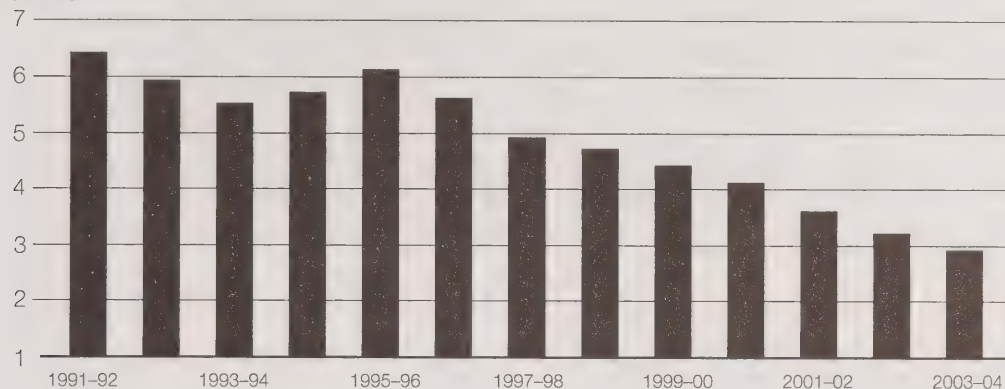
Public Debt Costs

In 2003–04 the Government spent 19 cents of every dollar of revenue to pay interest on the public debt, down from a peak of almost 39 cents in 1990–91. Public debt charges as a percentage of GDP declined to 2.9 per cent in 2003–04 from 3.2 per cent in 2002–03 (see Chart 3). In 2003–04 the average interest rate paid on the public debt declined to 5.8 per cent from 6.0 per cent in 2002–03.

Chart 3

Public Debt Charges

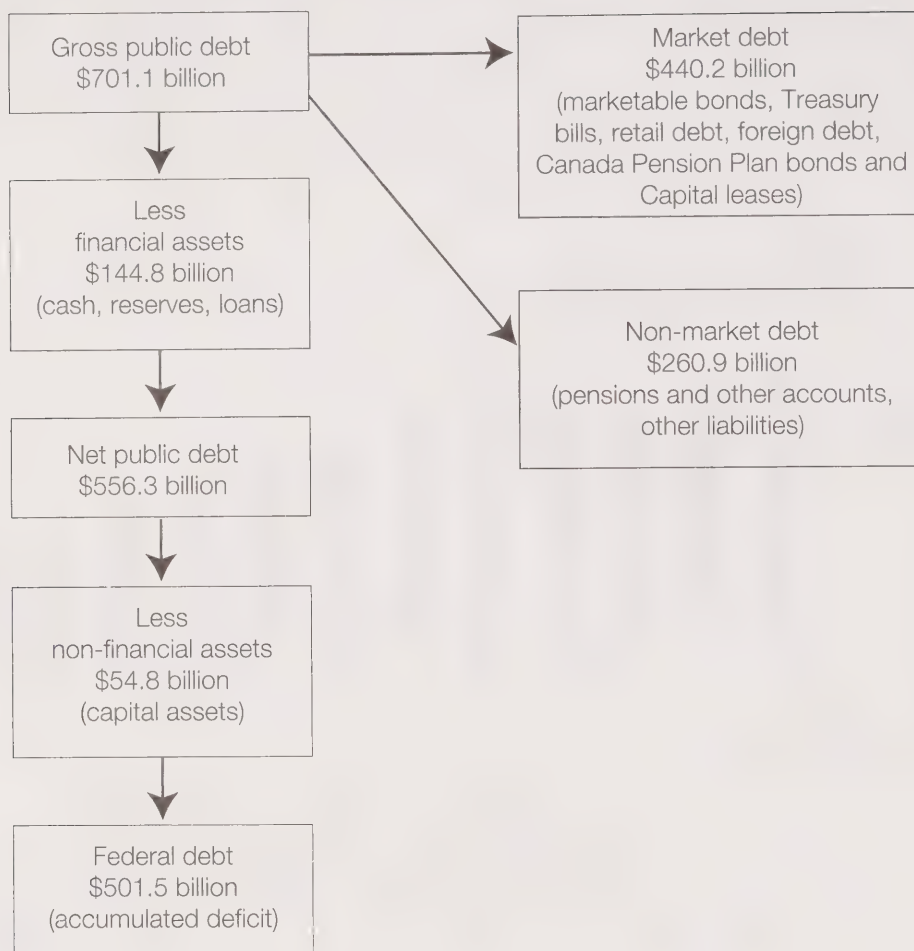
% of GDP



Source: *Public Accounts of Canada*.

Composition of the Debt

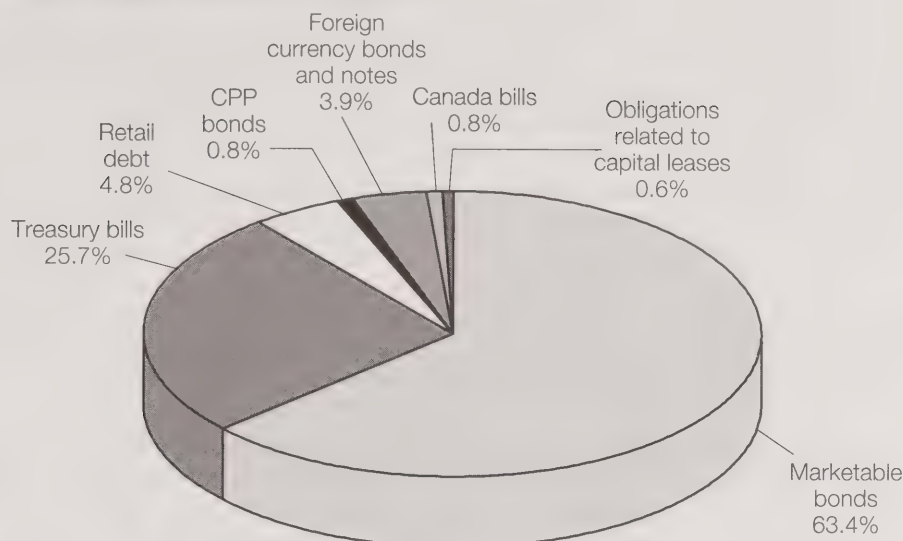
The Government's gross debt is made up of market debt and non-market debt. Market debt is funded in the capital markets and is strategically managed by the Government. Non-market debt comprises liabilities held by the Government outside capital markets. The chart on the next page illustrates the relationships between the components of government debt, based on the 2003–04 fiscal year. See Annex 1 for a more detailed description of the composition of the federal debt.

Total Public Debt as at March 31, 2004

Source: *Public Accounts of Canada*.

There are two types of market debt: domestic debt, which is denominated in Canadian dollars, and foreign currency debt (see Chart 4). (See www.fin.gc.ca/invest/instru-e.html for a detailed description of the Government of Canada's market debt instruments.) The Government borrows in Canadian dollars using wholesale and retail funding. Wholesale funding is conducted through issuance of marketable securities, which include nominal bonds, real return bonds and Treasury bills. These securities are sold via auctions to Government of Canada securities distributors and end-investors. (The names of and details on the framework for government securities distributors and primary dealers can be found at www.bankofcanada.ca/en/auct.htm.) Retail funding is raised through sales of Canada Savings Bond products to individuals who are Canadian residents.

Chart 4
Market Debt, March 31, 2004



Sources: *Public Accounts of Canada* and *Annual Financial Review*.

Funds raised in Canadian dollars are used primarily to meet the Government's operational requirements. A small portion of Canadian-dollar wholesale debt is swapped to foreign currencies to fund the Government's foreign exchange reserves. The Government also borrows in foreign currencies for the reserves, which are held in the Exchange Fund Account (EFA). The EFA provides a source of foreign currency liquidity and is used to promote orderly conditions in the foreign exchange market for the Canadian dollar. Details on the operations of the EFA can be found in the 2003 *Report on the Management of Canada's Official International Reserves*, located at www.fin.gc.ca/toce/2004/oir04_e.html.

Table 1 shows the change in the composition of federal market debt in 2003–04 by domestic and foreign debt programs. Further details of the changes in programs and indicators of debt management operations and activities can be found in Part III. Total domestic debt was reduced by \$1.7 billion while foreign currency debt declined by \$0.6 billion.

Table 1
Change in Composition of Federal Market Debt, 2003–04

	April 1, 2003 Outstanding	March 31, 2004 Outstanding	Change
		(\$ billions)	
Domestic debt	415.2	413.5	-1.7
Foreign currency debt ¹	21.1	20.5	-0.6
CPP bonds and notes	3.4	3.4	0.0
Obligations related to capital leases	2.7	2.8	0.1
Total market debt	442.4	440.2	-2.2

Note: As at March 31, 2004, the total amount of interest rate (\$1.6 billion) and cross-currency (\$24.6 billion) swaps outstanding stood at \$26.2 billion. Cross-currency swaps convert C\$-denominated government debt into foreign currency obligations for the purpose of funding the foreign reserves portfolio.

¹ Liabilities are stated at par value at the March 31 exchange rate.

Source: *Public Accounts of Canada*.

Part II: Report on 2003–2004 Debt Strategy

The federal debt strategy covers the management of federal market debt and operational activities related to it, including the management of Canadian-dollar cash balances and the funding and investment of Canada's foreign exchange reserves. Annual debt strategy planning sets out the objectives for the year in each of these domains and provides for a series of initiatives.

A well-functioning wholesale market in Government of Canada securities benefits the Government as well as a wide range of market participants. For the Government as a debt issuer, a well-functioning market attracts investors and ensures that funding costs are kept low. For market participants, a liquid and active secondary market in government debt provides credit-risk-free assets for investment portfolios, a pricing benchmark for other debt issues and swaps, and a primary tool for hedging risk.

In 2003–04 a large number of initiatives were undertaken to enhance the effectiveness of the Government of Canada's debt management. This document reports on these initiatives organized around four key themes: cost and risk; maintaining a well-functioning government securities market; encouraging participation in the government securities market; and enhancing governance.

Cost and Risk

The Government's objective of maintaining stable, low-cost financing involves managing an exposure to a range of financial risks and managing the balance between lower cost and lower risk. The Government has implemented a comprehensive financial risk management framework related to the debt program in line with the increased attention paid to risk management by financial market participants in recent years. The key risk for the Government relates to changes in interest rates and their effect on domestic borrowing costs (interest rate risk). A lesser risk is the Government's credit exposure to financial institution counterparties with which it transacts (credit risk). There are also exposures to other types of risk, such as operational risks like the August 2003 blackout.

On August 14, 2003, the Bank of Canada took steps to ensure that the Government's cash and debt operations would continue to function throughout the period of the blackout. The Bank conducted several Government of Canada term deposit and debt operations from its backup facility operating on emergency generators. All operations were conducted smoothly from the Bank of Canada's backup facility.

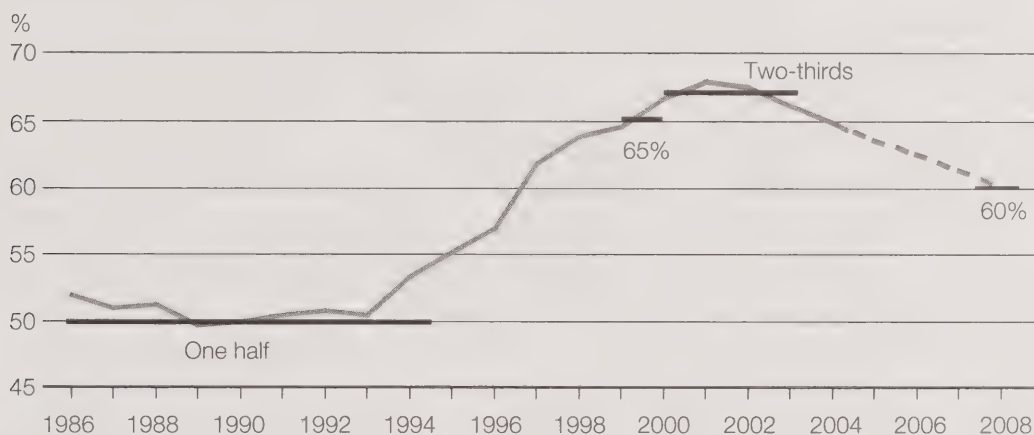
This section provides an overview of the main considerations in balancing interest rate risk and cost. See Annex 2 for information on the management of the credit risk associated with the management of cash balances and international reserves.

Debt Structure

The Government has access to a variety of instruments to fund its debt, with maturities ranging from 3 months to over 30 years. As does any other borrower in the financial markets, the Government generally faces a trade-off between cost and risk when selecting the instruments it issues. Borrowing costs of longer-term instruments tend to be higher, but are fixed for long periods. On the other hand, borrowing costs of shorter-term instruments tend to be lower on average, but more volatile. By choosing the proportion of each instrument it issues, the Government can establish a debt structure that strikes an appropriate balance between keeping costs stable and low.

The main operational target used to manage the debt structure is the fixed-rate share, which measures the proportion of interest-bearing debt having fixed rates—debt that does not mature or need to be repriced within one year—relative to total interest-bearing debt. In the February 2003 budget, the Government announced its intention to reduce the fixed-rate share target from two-thirds to 60 per cent by 2007–08 (see Chart 5).

Chart 5
Target Fixed-Rate Share of the Debt



Source: Department of Finance.

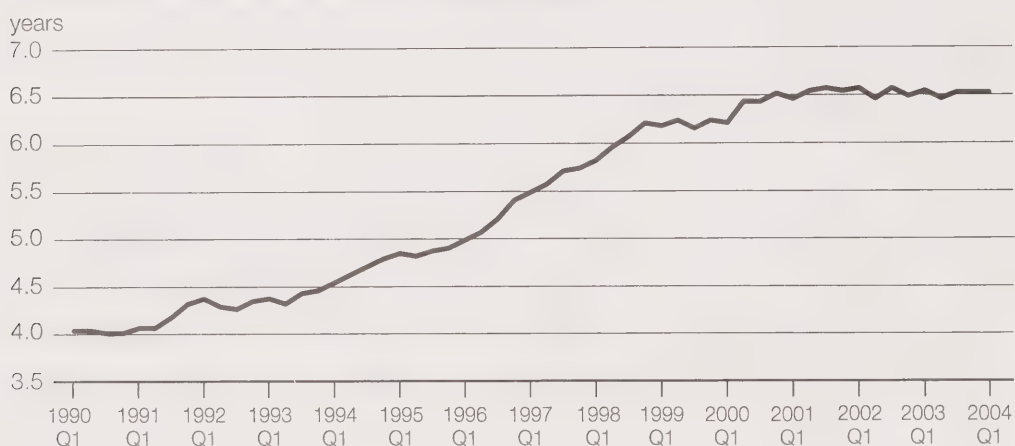
The decision to lower the fixed-rate share is based on positive economic and fiscal developments in Canada in recent years. Financial simulation modelling indicates that a 60-per-cent fixed-rate share would result in lower borrowing costs under a large number of interest rate scenarios without compromising debt cost stability.

In 2003–04 the Government began to reduce the fixed-rate share, with the share declining from 65.8 per cent to 63.8 per cent over the fiscal year. The change in debt structure will continue to be implemented gradually, in an orderly and transparent manner, over the next few years.

As a consequence of the adjustment in the fixed-rate share, the stock of outstanding Treasury bills and cash management bills increased from \$104.4 billion to \$113.4 billion in 2003–04, while the stock of outstanding bonds declined from \$269.1 billion to \$258.2 billion, increasing the share of floating-rate debt in the debt structure by 2.0 per cent. See Part III for more details on Treasury bill and bond program changes.

In addition to the fixed-rate share, the Government uses other indicators to track the exposure to risk inherent in the debt stock. The average term to maturity (ATM) represents the average length of time before debt instruments mature and become subject to refinancing risk. The ATM of marketable debt has stabilized at around 6½ years in recent years, having increased from roughly 4 years in 1990 (see Chart 6). A longer ATM means that debt instruments are rolled over less frequently, which implies less uncertainty regarding future debt costs.

Chart 6
Average Term to Maturity of Marketable Debt



Source: Bank of Canada.

Duration, which is often used by other sovereign issuers, is another measure of the average length of time before refinancing risk occurs. Duration considers the time value of all cash flows (coupon payments and principal repayments) through the life of debt instruments. From an issuer's perspective, a longer duration is associated with lower refinancing risk. At the end of March 2004, the Government's marketable debt had a duration of 4.8 years,¹ up from 4.5 years at the end of March 2003.

¹ Duration is calculated according to the modified duration formula, and includes the effect of cross-currency and interest rate swaps.

Maturity Profile

A related strategy to reduce the risk of higher borrowing costs is the maintenance of a stable maturity profile. A well-distributed maturity profile limits the need to refinance a large portion of the debt in any given period when borrowing conditions may be unfavourable.

One instrument used by the Government to help stabilize the maturity profile within the upcoming year is the cash management bond buyback (CMBB) program, introduced in 2001 on a trial basis. Given its success at reducing peaks in bond maturities, the CMBB program was implemented in 2003–04 on an ongoing basis. By reducing the need to accumulate high cash balances leading up to large bond maturities, the CMBB program also smoothes out seasonal fluctuations in Treasury bill issuance (see Part III for activity in 2003–04).

Also to facilitate the management of risk around peaks in maturities, the size of 2-year auctions was reduced in 2003–04 when the bond being issued was fungible (i.e. having the same maturity date) with another large bond issue. These initiatives, in addition to the emphasis on the regularity of its debt operations, have helped the Government to maintain a stable maturity profile and manage cash balances effectively around large maturity dates.

Funding the Foreign Reserves

Foreign currency debt is issued to fund foreign currency assets. In 2003–04 foreign currency funding requirements were lower than in previous years due to the strength of the euro versus the US dollar (foreign currency assets, of which about half are composed of securities denominated in euros, are reported on a market value basis in US dollars). Funding requirements were met entirely through cross-currency swaps, which are particularly cost-effective compared to other funding sources. The Government has in place a collateral management framework to control the credit risk to financial institutions with which it executes swaps (see Annex 2 and the 2002–03 *Debt Management Report* at www.fin.gc.ca/toce/2003/dmr03_e.html). In addition to cross-currency swaps of domestic obligations, the Government has access to a short-term US-dollar paper program, medium-term note issuance in various markets, international bond issues, and purchases of US dollars in foreign exchange markets.

The Government holds foreign exchange reserve assets in the Exchange Fund Account to provide foreign currency liquidity and to provide the funds needed to help promote orderly conditions for the Canadian dollar in the foreign exchange markets. Further details on the management of international reserves are available in the 2003 *Report on the Management of Canada's Official International Reserves* at www.fin.gc.ca/toce/2004/oir04_e.html.

Maintaining a Well-Functioning Market

The Government supports the maintenance of a liquid well-functioning market for its marketable securities in order to help maintain low funding costs. One way the Government achieves this goal is by building large liquid benchmark bonds and Treasury bills in various maturity sectors on a regular, predictable basis. The use of multiple maturities attracts a wide array of investors, while regular and transparent issuance ensures that there is no uncertainty as to the Government's plans. Initiatives outlined in the 2003–04 *Debt Management Strategy* to promote liquidity in the Government of Canada securities market were:

Benchmark Target Sizes: The targeted new benchmark sizes for nominal coupon-bearing bonds were maintained from the previous year, except in the 10-year sector. After consulting with market participants, the Government adjusted the 10-year target benchmark size from \$12 billion–\$15 billion to \$10 billion–\$14 billion and to a one-year cycle. The new target size and one-year cycle ensure that 10-year benchmark bonds will continue to be a key instrument for the swap and futures markets. During 2003–04 the June 2013 10-year benchmark ended its benchmark building cycle with an amount outstanding of \$12 billion, within the new target benchmark size range.

Diversified and Regular Issuance: The Government continued its practice of issuing and building large liquid benchmarks in a variety of instruments and terms to maturity to target a diverse investor base. These instruments include four bond maturity sectors (quarterly 2-, 5- and 10-year auctions and semi-annual 30-year auctions); three Treasury bill maturity sectors (3-, 6- and 12-month maturities with auctions every two weeks); a long-term inflation-indexed bond (quarterly issuance); and debt issued as part of the retail debt program. Regular issuance helps provide certainty for dealers and investors in their preparations for auctions.

Buybacks: Against the backdrop of debt paydown in recent years, the Government has been using a bond buyback program on both a switch and cash basis to repurchase off-the-run bonds (i.e. securities that are no longer the current market benchmark or the current building benchmark), thereby helping to maintain gross bond issuance at desirable levels and maintain benchmark bond sizes. Unlike buybacks on a cash basis, where bonds offered are exchanged for cash, bonds repurchased on a switch basis are exchanged for the current building benchmark on a duration neutral basis. The 2003–04 *Debt Management Strategy* outlined the Government's buyback target of about \$13 billion. During the year the Government issued \$10.7 billion in new benchmark bonds through the repurchase of \$10.2 billion in off-the-run bonds. Steps were taken to maintain the success of buyback operations, which included increasing the range of maturities in some buyback baskets of eligible bonds.

The scale of switch buyback operations was increased while buybacks on a cash basis were decreased, as the scope of the switch buyback program began to include more maturity sectors. Switch operations are more attractive for market participants as their market risk is lower than for cash buybacks. In 2003–04 the Government repurchased \$5.0 billion in bonds through the switch program (in line with the previous year), and \$5.2 billion through the cash buyback program (a decrease of \$1.9 billion.)

Participation

Active participation at auction and buyback operations from a diverse group of market participants also helps the Government to achieve its key objective of stable, low-cost funding. Over the past few years initiatives to enhance transparency and the bidding process have been undertaken to broaden participation. Initiatives undertaken in 2003–04 include:

Timing of Treasury Bill Auctions: Beginning June 17, 2003, Treasury bill auctions were moved from 12:30 p.m. to 10:30 a.m., with cash management buyback operations following the auctions at 11:15 a.m. The change was made to coincide with the time of day when the Treasury bill market is most active in order to attract more participants to the auctions. Investors supported the change.

Participation at AM Receiver General Auctions: In 2002–03 the Government introduced a collateralized framework for the AM Receiver General auctions of cash balances to reduce the exposure to counterparty credit risk and encourage more competitive bidding at cash management auctions. In 2003–04 the Government increased the list of financial institutions eligible to participate at AM auctions by 1 to 21; work is ongoing to further increase the number of participants.

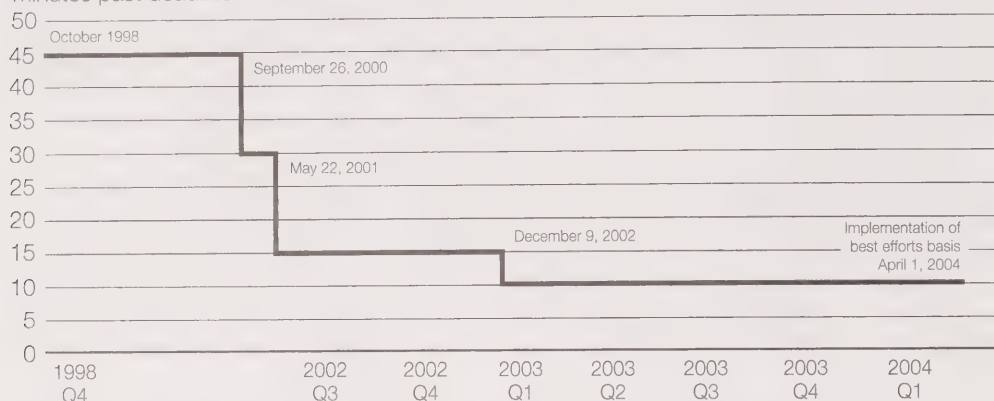
Turnaround Time: In order to reduce market risk for participants and enhance the efficiency of its operations, the Government took steps in the fiscal year to streamline these operations to further reduce turnaround times. The Government announced that, starting on April 1, 2004, the turnaround time for auctions and buyback operations would be released on a “best efforts basis” (i.e. when ready rather than waiting to release results at the maximum times of 10 minutes for bills and bonds and 15 minutes for buybacks).

Charts 7 and 8 show the dramatic reduction in turnaround times in recent years, from 45 minutes at the end of 1998 to 10 minutes for Treasury bill and bond auctions and 15 minutes for buyback operations starting in 2002.

Chart 7

Turnaround Times for the Release of the Results of Treasury Bill and Bond Auctions, 1998–2004

minutes past deadline

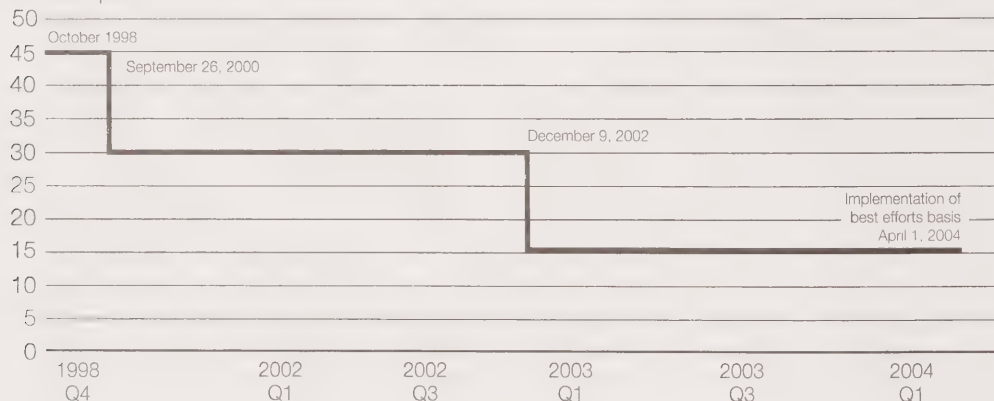


Source: Bank of Canada.

Chart 8

Turnaround Times for the Release of the Results of Buyback Operations, 1998–2004

minutes past deadline



Source: Bank of Canada.

Governance of Treasury Activities

The Government regularly assesses its treasury management policies and programs as part of good governance and management of the debt program. These reviews are conducted internally at the Department of Finance and Bank of Canada or by external specialists. In 2003–04 the Government conducted four reviews: an internal evaluation of the Government's governance framework for managing treasury activities; an external evaluation of the effectiveness of the governance system over the past five years and design of a modified framework; a review of the retail debt program, which has included an external assessment as well as internal analysis; and an internal review of the real return bond program.

Internal Evaluation of the Governance Framework

In 2003 the Government of Canada reviewed and enhanced the governance framework for its debt management activities, with the result codified in the *Treasury Management Governance Framework* document. The report on governance, *Governance Evaluation: Debt and Reserves Management*, is available at www.fin.gc.ca/activty/goveval-e.html. The new governance framework is designed to enhance the efficiency of debt management policy implementation; ensure accountability through appropriate performance measurement and reporting; clarify and strengthen the framework for risk management monitoring and control; and enhance operational efficiency and effectiveness.

The framework describes the objectives and operating principles that the Government pursues in managing its financial assets and liabilities. These objectives appear in this document as well as the *Report on the Management of Canada's Official International Reserves* and the Canada Investment and Savings annual report. In addition, the framework describes the authorities, roles and responsibilities, coordination and control systems, and performance evaluation systems for managing the Government's treasury activities.

The governance framework outlines the organizational committees established to govern debt management activities. While the ultimate decision-making authority rests with the Minister of Finance, the design of key strategies, policies and operations and the coordination of funding, investing and liquidity management activities are accomplished through several key committees and working groups. A detailed description of the composition of these committees and their roles and responsibilities is contained in the *Treasury Management Governance Framework* document.

External Study of the Governance Framework

A study was commissioned in 2003–04 to evaluate the Government's policies, practices and procedures for managing its debt and reserves, with three objectives: assess how the governance of debt and reserves management has evolved over the past five years; develop a framework for the evaluation of debt and reserves management governance; and test the effectiveness of this framework by using it to evaluate the current governance structure, practices and policies.

The study was delivered in February 2004 and is available at www.fin.gc.ca/treas/goveev/govevrepvoll-e.html. At the end of 2003–04 the Department of Finance was evaluating the study's recommendations; its response can be found at www.fin.gc.ca/treas/goveev/govevres-e.html.

Review of the Retail Debt Program

The delivery of the Government's retail debt program is a collaborative effort between Canada Investment and Savings (a special operating agency of the Department of Finance), the Financial Sector Policy Branch of the Department of Finance and the Bank of Canada.

As part of the Treasury Evaluation Program, the Department of Finance hired Cap Gemini Ernst & Young (CGEY) in September 2003 to assess the retail debt program and to provide advice on strategic options for the future. The CGEY report was delivered in January 2004. This report, along with the departmental response, is available at www.fin.gc.ca/activty/goveval-e.html. At the end of 2003–04 the Department was initiating public opinion research to assess the attitudes of Canadians towards the program and potential changes to it. The Department was also undertaking analysis of expected future costs and benefits of the program under a number of different program designs.

Further information on the retail debt program and a report of 2003–04 activities is available at www.csb.gc.ca.

Review of the Real Return Bond Program

In light of the evolution in the macroeconomic environment and the change in the target debt structure to a lower fixed-rate share, the Government announced in the 2003–04 *Debt Management Strategy* that it would assess the real return bond (RRB) program. Work was conducted within the Department of Finance and the Bank of Canada to evaluate the RRB program relative to its stated objectives and to other borrowing programs. The report, *Real Return Bond Funding Review*, is available at www.bankofcanada.ca/en/notices_fmd/rrb2003.htm.

The review found that the program has generally fulfilled its stated objectives. Global issuance of inflation-indexed securities has increased in recent years and is expected to continue to grow. In the context of the overall debt program, continued RRB issuance levels at around current levels should not be an immediate constraint in maintaining issuance levels of nominal bonds and would have little effect on the move to a lower fixed-rate share.

In the 2004–05 *Debt Management Strategy*, the Government announced that RRBs would remain a part of its debt program, with expected issuance equal to or marginally higher than the \$1.4 billion issued in 2003–04.

Debt Strategy Plan and Actions Taken

The following summary chart reports on the 2003–04 debt strategy plan initiatives, their purpose and actions taken. All of the strategic objectives for the management of the Government's debt, cash and reserves were achieved over the course of the year. In addition, complementary initiatives were identified based on consultations with market participants and acted upon.

Debt Strategy Plan and Actions Taken

	Plan (including initiatives identified through mid-year consultations)	Purpose	Actions Taken
Cost and Risk	Gradually reduce the fixed-rate share of debt from a target of two-thirds to a target of 60 per cent over 5 years.	Achieve lower debt charges, while continuing to prudently mitigate the risk to the budget framework.	The fixed-rate share was reduced from 66 per cent to 64 per cent over the 2003–04 fiscal year.
	Implement a gradual reduction to the new fixed-rate target:		
	(a) Increase the size of the Treasury bill program from about \$105 billion in 2002–03 to approximately \$120 billion in 2003–04.		The stock of Treasury bills outstanding increased by about \$9.0 billion to \$113.4 billion.
	(b) Issue roughly \$40 billion of bonds in 2003–04, similar to the amount in 2002–03.		\$39.4 billion of bonds were issued. The stock of outstanding bonds declined by \$10.9 billion to \$258.2 billion due to maturities and buyback operations.
	Implement the cash management bond buyback (CMBB) program on a regular basis.	Smooth cash requirements by reducing peak cash balances needed to redeem upcoming large maturities.	The CMBB program and the reduction in issuance of 2-year bonds helped to reduce peaks in maturities and maintain a stable maturity profile.
	Reduce the 2-year auction size to a minimum of \$2.5 billion when the benchmark is fungible with a large outstanding bond.	Limit the need to refinance a large portion of debt in any given period and maintain a stable maturity profile.	
	Continue to use cross-currency swaps to fund the reserves.	Maintain a low cost of funding for reserve assets.	Three cross-currency swaps were executed in 2003–04, totalling \$0.1 billion.

Debt Strategy Plan and Actions Taken *(cont'd)*

	Plan (including initiatives identified through mid-year consultations)	Purpose	Actions Taken
Maintaining a Well- Functioning Market	Maintain current benchmark target sizes for 2-, 5- and 30-year bonds.	Maintain a liquid market for on-the-run issues.	Benchmark bond sizes were maintained.
	Continue regular issues of marketable bonds in four maturity sectors, Treasury bills in three maturity sectors and inflation-linked bonds in wholesale markets.	Provide liquidity across investor segments, instruments and maturities, which contributes to managing both cost and risk.	Issuance schedule and maturities of past years were maintained in Treasury bills, bonds and real return bonds.
	Maintain an annual benchmark cycle.	Support liquidity in the swap and futures market and satisfy international demand.	Target ranges for the new 10-year benchmark bond size were lowered from \$12 billion-\$15 billion to \$10 billion-\$14 billion to maintain an annual benchmark.
	Continue a similar level of bond buybacks as in 2002-03 of about \$13 billion.	Maintain bond auction sizes and facilitate market adjustment to changes in the bond stock.	Buybacks of 2-, 5-, 10- and 30-year bonds totalled \$10.2 billion.
	Modestly increase the amount of buybacks on a switch basis and slightly lower the amount of bonds repurchased on a cash basis.	Support effective operation of the buyback program and total bond issuance.	Bond repurchases through the switch program were in line with the previous year's amount of \$5.0 billion, while repurchases through the cash buyback program fell by \$1.9 billion to \$5.2 billion.

Debt Strategy Plan and Actions Taken (*cont'd*)

	Plan (including initiatives identified through mid-year consultations)	Purpose	Actions Taken
Participation	Continue to borrow on a pre-announced basis, seek input from market participants on major adjustments to programs, and provide timely notices of government policy decisions.	Maintain transparency and efficiency to encourage participation.	The Government's policy of transparency in debt management activities was maintained with market participants.
	Move Treasury bill auctions from 12:30 p.m. to 10:30 a.m. on a trial basis. Schedule CMBB operations after Treasury bill auctions.	Enhance bidding and participation.	Beginning June 17, 2003, Treasury bill auctions were moved to 10:30 a.m. and CMBB operations were moved to follow Treasury bill auctions at 11:15 a.m.
	Broaden the list of participants in collateralized Receiver General cash management operations.	Reduce exposure to counterparty credit risk and encourage more competitive bidding at cash management auctions.	The number of participants increased by 1 to 21 financial institutions. Work is ongoing to increase further the number of participants.
	Consider further reductions in turnaround times for the publication of the results of operations.	Reduce market participants' risk.	Following internal work, it was announced in 2003–04 that as of April 1, 2004, turnaround time for auctions and buybacks would be changed to a best efforts basis (i.e. when ready).

Debt Strategy Plan and Actions Taken *(cont'd)*

	Plan (including initiatives identified through mid-year consultations)	Purpose	Actions Taken
Governance of Treasury Activities	Review the governance framework for funds management.	Streamline decision-making processes, and ensure effectiveness and accountability.	Two reviews were undertaken: Internal Review: The framework was revised to clarify roles and responsibilities and report on performance. External Review: A study has been made available to the public on the Department's Web site and recommendations are being acted upon.
	Review the retail debt program.	Assess the performance of the retail debt program and strategic options going forward.	An external review was completed in January 2004; the full report, including supporting documentation, has been made available to the public on the Department's Web site. An internal review of recommendations is continuing.
	Review the real return bond (RRB) program.	Assess effectiveness and fit in the bond program.	The program was reviewed and the report is available to the public on the Department's Web site. The decision to maintain the RRB program was announced during 2003-04.

Part III: Programs and Indicators

Part III of this report is divided into three main sections: the outcome of operations and activity with respect to the domestic debt programs; indicators of cash management performance; and measures of reserves funding and investment. It also provides information on the Government's investor base and reports on external evaluations of the debt program.

The indicators are intended to provide information on the key measures used by government debt managers. As outcomes in virtually all cases are the product of many factors, the measures do not reflect the impact of specific government debt management policies. However, they serve as useful guideposts in helping to understand the results and context of the Government's debt management initiatives.

Domestic Debt Programs

There are a number of measures of outcomes in the area of domestic debt management. They can be divided into two groups: those associated with the debt issuance process (the primary market) and those dealing with post-issuance trade (the secondary market).

Measures of a well-functioning securities market include the degree to which auctions in the primary market are well bid and the level of liquidity and trading in the secondary market. In 2003–04 the Government's Treasury bill and bond auctions continued to be well bid. Primary dealers play the major role at auctions except in the case of RRB auctions, where customers' winnings exceed that of primary dealers. The secondary market for Government of Canada securities continues to experience healthy trading volumes and turnover ratios that compare favourably to those of other countries. Primary dealers also play a major role in secondary markets, with the top 10 participants accounting for about 90 per cent of turnover of Treasury bills and bonds.

The bond buyback program continues to be effective in helping to maintain a liquid issuance program and build new benchmarks within a reasonable time frame.

Primary Market

Program Activity

Nominal Bonds

Gross bond program issuance in 2003–04 was \$39.4 billion (see Table 2), lower than the \$42.3 billion in 2002–03. Gross issuance consisted of \$13.0 billion in 2-year bonds, \$10.7 billion in 5-year bonds, \$11.5 billion in 10-year bonds and \$4.2 billion in 30-year bonds (see Reference Table IX for more information on bond auctions). In 2003–04, \$31.7 billion of bonds matured. Taking into account buybacks and maturities, net new issuance declined by \$10.9 billion during the year, reducing the stock of outstanding bonds to \$258.2 billion as at March 31, 2004.

Regular Bond Buyback Program

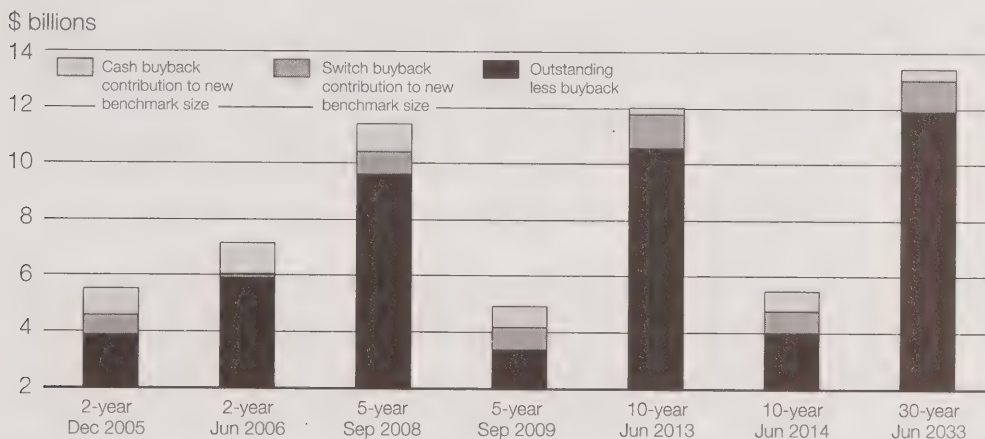
The objectives of the bond buyback program are to enhance liquidity and maintain active new issuance in the primary market for Government of Canada securities.

Under cash buybacks, off-the-run bonds are repurchased with cash to sustain larger auction sizes. Buybacks on a switch basis exchange off-the-run bonds with new building benchmark securities, thereby adding to the overall liquidity of the issues.

Bond buyback operations totalled \$10.2 billion in 2003–04, consisting of \$6.2 billion in 2- and 5-year bonds, \$2.5 billion in 10-year bonds, and \$1.5 billion in 30-year bonds (see Reference Table XII for more information on buyback operations).

On average, buybacks on a cash basis helped to increase sizes of new benchmarks in 2003–04 by \$369 million per auction (see Chart 9). Switch buyback operations in 2003–04 exchanged \$5.0 billion of off-the-run bonds for \$5.5 billion of new building benchmarks.

Chart 9
**Impact of Regular Buyback Program
on Benchmark Sizes**
As of March 31, 2003



Source: Department of Finance.

Real Return Bonds

RRB issuance in 2003–04 was in line with the previous year's issuance of \$1.4 billion, increasing the level of outstanding RRBs from \$19.1 billion (which includes the Consumer Price Index [CPI] adjustment) to \$20.6 billion as at March 31, 2004 (see Table 2). In 2003–04 the Government issued its fourth RRB, a December 1, 2036, maturity. (See Reference Table X for more information on RRB auctions.)

Table 2
Change in Composition of Federal Market Debt, 2003–04

	April 1, 2003 Outstanding	New Issues	Maturing	Repurchase	March 31, 2004 Outstanding	Change
	(\$ billions)					
Domestic debt						
Nominal bonds	269.1	39.4	31.7	25.8 ¹	258.2	-10.9
Real return bonds	19.1 ²	1.4	0.0	—	20.6	1.5 ³
Treasury bills ⁴	104.4	262.4	253.4	—	113.4	9.0
Retail debt	22.6	2.0	3.2	—	21.3	-1.3
Total domestic debt	415.2				413.5	-1.7
Foreign currency debt⁵						
Canada bills	2.6	14.0	13.2	—	3.4	0.8
Foreign bonds ⁶	14.0	0.2	1.3	—	12.9	-1.1
Canada notes	1.2	0.0	0.0	—	1.2	0.0
Euro Medium-Term Notes	3.3	0.0	0.3	—	3.0	-0.3
Total foreign debt	21.1				20.5	-0.6
CPP bonds and notes	3.4	—	0.0	—	3.4	0.0
Obligations related to capital leases	2.7	0.2	0.1		2.8	0.1
Total market debt	442.4				440.2	-2.2

Note: As at March 31, 2004, the total amount of interest rate (\$1.6 billion) and cross-currency (\$24.6 billion) swaps outstanding stood at \$26.2 billion. Cross-currency swaps convert C\$-denominated government debt into foreign currency obligations for the purpose of funding the foreign reserves portfolio.

Numbers may not add due to rounding.

¹ Includes the bond buyback program on a cash and switch basis, and the pilot cash management bond buyback program.

² Includes a correction to the calculation of CPI adjustment in previous years.

³ Includes CPI adjustment.

⁴ These securities are issued at 3-, 6- and 12-month maturities and are therefore rolled over a number of times during the year for refinancing. This results in a larger number of new issues per year than stock outstanding at the end of the fiscal year. These amounts include cash management bills.

⁵ Liabilities are stated at par value at the March 31, 2004, exchange rate. Increases/decreases shown for foreign currency bonds, Canada notes and Euro Medium-Term Notes are due, either partly or fully, to the exchange rate appreciation/depreciation of the currency of issue versus the Canadian dollar.

⁶ Includes \$492.0 million in securities assumed by the Government of Canada on February 5, 2001, on the dissolution of Petro-Canada Limited.

Source: *Public Accounts of Canada*.

Treasury Bills and Cash Management Bills (CMBs)

The stock of outstanding Treasury bills and CMBs increased by \$9.0 billion during 2003–04 to \$113.4 billion at March 31, 2004 (see Table 2), consistent with the orderly move to a lower fixed-rate share of debt. For the entire fiscal year \$262.4 billion in Treasury bills and CMBs were auctioned, an increase of \$25.7 billion from the previous year (see Table 3). There were \$4.0 billion of CMBs outstanding at the beginning of fiscal 2003–04 and \$4.7 billion outstanding at the end of the year. Throughout the year the Government issued \$28.5 billion of CMBs of various short-term maturities.

Table 3
Treasury Bill and CMB Program

	1998–99	1999–00	2000–01	2001–02	2002–03	2003–04
	(\$ millions)					
CMBs	25,750	19,700	9,000	7,500	23,750	28,500
3-month Treasury bills	90,800	100,700	88,100	103,300	117,400	129,700
6-month Treasury bills	42,600	46,600	38,600	43,100	47,800	51,900
12-month Treasury bills	39,500	46,600	38,600	43,100	47,800	51,900
	172,900	193,900	165,300	189,500	213,000	233,450
Total	198,650	213,600	174,300	197,000	236,750	262,416

Note: Sub-categorization of Government of Canada debt is in accordance with Bank of Canada reports, which may vary slightly from Public Accounts categories due to differences in classification methods. The total outstanding market debt may not equal the sum of the parts due to slight differences between the Bank of Canada's and Department of Finance's numbers.

Sources: Bank of Canada and *Public Accounts of Canada*.

Retail Debt

The level of outstanding debt held by domestic retail investors—Canada Savings Bonds and Canada Premium Bonds—decreased from \$22.6 billion to \$21.3 billion in 2003–04. Gross sales and redemptions were \$2.0 billion and \$3.2 billion, respectively, for a net reduction of \$1.3 billion in the stock of retail debt.

Bill and Bond Auction Results Indicators

The two conventional measures of auction performance are the auction coverage and tail. These two measures, combined with the yield of the securities issued, describe the quality of an auction in terms of its competitiveness and its impact on the cost of borrowing.

The auction coverage is defined as the total size of bids received divided by the auction size. A cover statistic of one is essential and a higher statistic is generally better, as it indicates active bidding and therefore lower costs for the Government. The auction tail is the number of basis points between the highest yield accepted and the average yield. In this case, smaller is better as it indicates strong bidding and therefore lower costs.

The terms of participation in government auctions require larger dealers (primary dealers) to bid 50 per cent of their calculated bidding limit at reasonable prices. Maximum coverage ratios from primary dealers (which represent about 85 per cent of winning bids) could reach a maximum of about 2.6 for bond auctions and 2.4 for Treasury bill and CMB auctions, while minimum coverage, assuming that all primary dealers bid at their minimum bidding limit, would total about 1.4 for bond auctions and 1.2 for Treasury bill and CMB auctions.

In 2003–04 coverage remained generally stable for CMB, Treasury bill and bond auctions and declined slightly for RRB auctions compared to the previous fiscal year. Overall, coverage has remained stable over the last four years (see Table 4).

In 2003–04 tails were generally narrower for Treasury bill and bond auctions than in the previous year. Overall, tails were narrower in 2003–04 than the 4-year average for all auctions, indicating relatively more competitive bidding at auctions (see Table 4).

Table 4
Performance at Auctions

	Coverage					Tail				
	2000–01	2001–02	2002–03	2003–04	4-yr avg.	2000–01	2001–02	2002–03	2003–04	4-yr avg.
Treasury bills										
3-month	2.1	2.0	2.2	2.2	2.1	1.1	1.3	0.6	0.5	0.8
6-month	2.3	2.2	2.3	2.2	2.2	0.9	0.8	0.7	0.5	0.7
12-month	2.2	2.0	2.1	2.1	2.1	1.0	0.9	0.7	0.7	0.8
CMBs	2.0	1.9	2.0	2.0	2.0	2.3	1.4	1.4	1.4	1.5
Nominal bonds										
2-year	2.5	2.3	2.3	2.5	2.4	0.6	0.7	0.7	0.5	0.6
5-year	2.6	2.4	2.5	2.6	2.5	0.5	0.7	0.7	0.5	0.6
10-year	2.7	2.5	2.5	2.5	2.5	1.1	0.9	0.8	0.5	0.8
30-year	2.4	2.5	2.5	2.6	2.5	2.8 ¹	1.1	0.7	0.4	1.3
Real return bonds ²	3.1	2.8	3.2	2.9	3	n.a.	n.a.	n.a.	n.a.	n.a.
Weighted average ³	2.3	2.1	2.2	2.2	2.2	1.0	1.1	0.7	0.5	0.8

¹ The peak in the average tail for 30-year auctions in 2000–01 is due to one of the two 30-year auctions (April 19, 2000 auction) that had an unusually large tail of 4.4 basis points, which increased the annual average to 2.75 basis points.

² Auction tails for RRBs are not relevant since RRBs are distributed through single-price auctions.

³ Weighted average excludes CMBs.

Source: Bank of Canada.

Participation at Auctions

This section provides information on participation of government securities distributors (primary dealers and other government securities dealers) and customers (institutional investors) in the primary market for Government of Canada securities. Primary market activity shares are calculated using participants' allotments at auctions during the fiscal year.

Nominal Bonds

In 2003–04 primary dealers (PDs) were allotted 93.4 per cent of nominal bond auctions while customers were allotted 4.7 per cent (see Table 5). The 10 most active participants bought 90.9 per cent of the bonds on average. These percentages show a slight increase in concentration of primary dealer allotments from previous years, continuing a trend of increasing auction shares by the larger participants.

Table 5

*Bond Auctions Share of Amount Allotted to Participants
(Excluding Real Return Bonds)*

Participant Type	2000–01	2001–02	2002–03	2003–04
	(%)			
PDs	91.5	83.7	91.8	93.4
Non-PDs	2.7	6.4	2.5	1.8
Customers	5.8	9.8	5.6	4.7
Top 10 participants	86.1	84.0	88.7	90.9

Source: Bank of Canada.

Bond Buybacks

Primary dealers are the most active participants in bond buyback operations. Customers' share of allotments at buybacks is shown as zero, but this likely underestimates the level of participation of customers, as they may participate in buyback operations through dealers without identifying themselves (see Table 6).

Table 6

*Bond Buyback Operations Share of Amount Allotted to Participants
(Excludes Cash Management Bond Buybacks)*

Participant Type	2000–01	2001–02	2002–03	2003–04
	(%)			
PDs	94.1	86.2	96.4	97.9
Non-PDs	2.4	0.0	1.7	2.1
Customers ¹	3.5	13.8	1.9	0.0
Top 10 participants	97.1	98.4	94.5	97.4

¹ Results may underestimate customer participation. Contrary to Treasury bill and bond auctions, customers do not have to inform the Bank of Canada about their participation at buyback operations.

Source: Bank of Canada.

Real Return Bonds

Unlike nominal bond auctions, RRB auctions have more active customer participation. Allotments to customers increased from 51.2 per cent in 2002–03 to 63.1 per cent in 2003–04. This is largely due to the continuing lack of product availability in the secondary market, as many RRB investors are buy-and-hold investors. The 10 most active participants in RRB auctions were allotted 69.0 per cent of the auction, which is in line with historical averages (see Table 7).

Table 7*RRB Auctions Share of Amount Allotted to Participants*

Participant Type	2000–01	2001–02	2002–03	2003–04
	(%)			
PDs	45.5	39.0	47.9	36.1
Non-PDs	2.7	3.9	0.9	0.8
Customers	51.8	57.2	51.2	63.1
Top 10 participants	68.4	61.2	63.9	69.0

Source: Bank of Canada.

Treasury Bills

For 2003–04 primary dealers accounted for 84.2 per cent of amounts allotted at Treasury bill auctions while customers accounted for 14.5 per cent. Customers have steadily seen their share increase over the last four years, while the share held by primary dealers has decreased slightly. In 2003–04 the 10 most active participants accounted for 93.7 per cent of amounts allotted at Treasury bill auctions (see Table 8).

Table 8*Treasury Bills Auctions Share of Amount Allotted to Participants*

Participant Type	2000–01	2001–02	2002–03	2003–04
	(%)			
PDs	87.6	86.0	84.1	84.2
Non-PDs	1.5	1.6	2.2	1.2
Customers	10.9	12.4	13.6	14.5
Top 10 participants	92.5	93.0	91.5	93.7

Source: Bank of Canada.

Cash Management Bills

Primary dealers are the most frequent participants at CMB auctions. In 2003–04 primary dealers were awarded 97.8 per cent of the allotted amounts, and the 10 most active participants accounted for 99.2 per cent. The average allotment share of customers fell to 0.8 per cent from 4.5 per cent in the previous fiscal year (see Table 9).

Table 9

CMBs Auctions Share of Amount Allotted to Participants

Participant Type	2000–01	2001–02	2002–03	2003–04
		(%)		
PDs	92.9	95.6	93.0	97.8
Non-PDs	4.5	2.3	2.5	1.4
Customers	2.6	2.1	4.5	0.8
Top 10 participants	95.6	97.9	95.5	99.2

Source: Bank of Canada.

Secondary Market

The two conventional measures of liquidity and efficiency in the Government of Canada securities market are trading volume and turnover ratio. These two measures are presented for bonds (Chart 10 and, for international comparison, Chart 11), Treasury bills (Chart 12), bond repos (Chart 13) and Treasury bill repos (Chart 14).

Trading volume, which shows the amount of securities traded per period, is a conventional indicator of liquidity. Large trading volume allows participants to buy or sell in the marketplace without a substantial change in the price of the securities.

Turnover ratio, which is the ratio of securities traded relative to the securities outstanding, is a measure of market efficiency. High turnover implies that a large amount of securities changes hands over a given period of time, a hallmark of an efficient securities market.

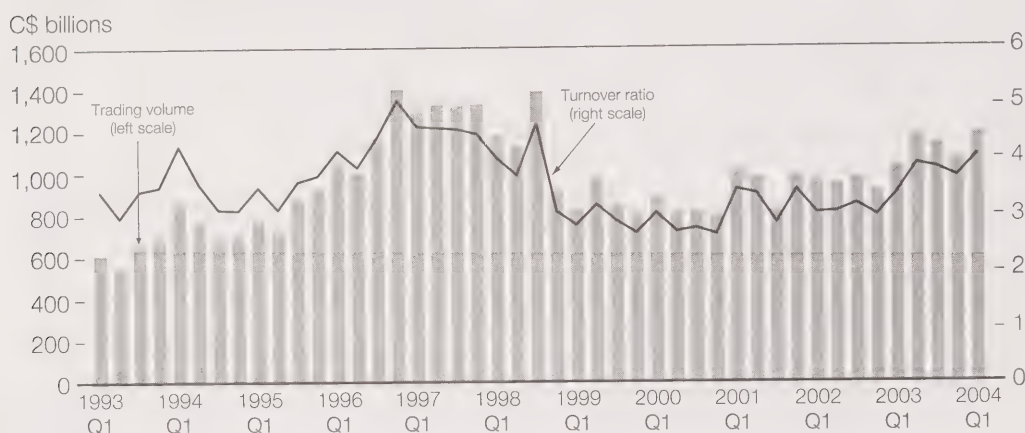
A number of factors affect trading volume and turnover ratio, such as the extent to which new information changes views in the marketplace and changes in the stock of outstanding securities. Trends in these two measures can be indicators of changes in market liquidity and efficiency.

The presence of liquid repo markets and liquid futures contracts also complements an efficient Government of Canada securities market. A liquid repo market exists in the Government of Canada securities market for Treasury bills and nominal bonds. There is also an active futures contract based on the benchmark 10-year Government of Canada bond. (On May 3, 2004, the Montreal Exchange launched a new futures contract on the benchmark 2-year Government of Canada bond.)

Trading Volume and Turnover Ratios

The volume of transactions in the Government of Canada bond market has grown significantly since 1990. Total marketable bond trading volume was \$4,561 billion in 2003–04, an 18.1-per-cent increase from 2002–03. The average quarterly turnover ratio was 3.8 times the outstanding stock of bonds in 2003–04, compared to 3.1 in 2002–03 (see Chart 10).

Chart 10
Government of Canada Bonds
Trading Volume and Turnover Ratio

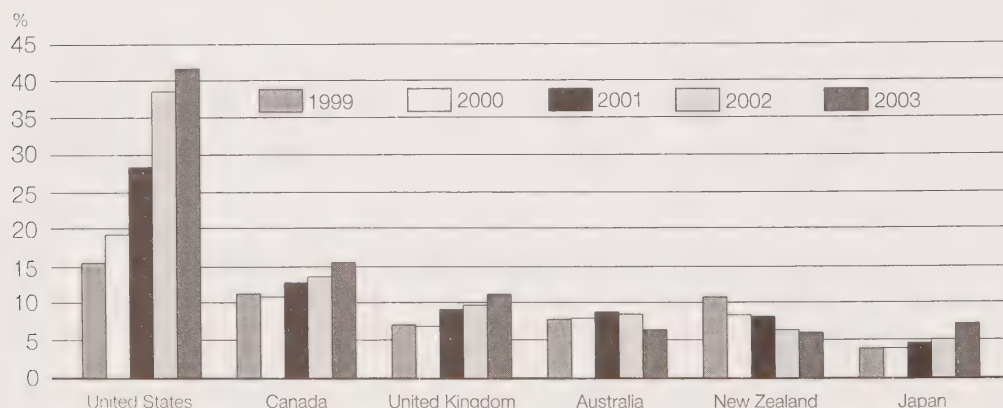


Note: Trading volume is total trading volume in each quarter. Turnover ratio is total trading volume in each quarter/stock.

Source: Bank of Canada.

The Government of Canada bond market compares favourably with other major sovereign bond markets. The market had an annual stock turnover in 2003 of 15.6, behind only the United States, which had a stock turnover level of 41.8 (see Chart 11).

Chart 11
Sovereign Bond Turnover Ratios



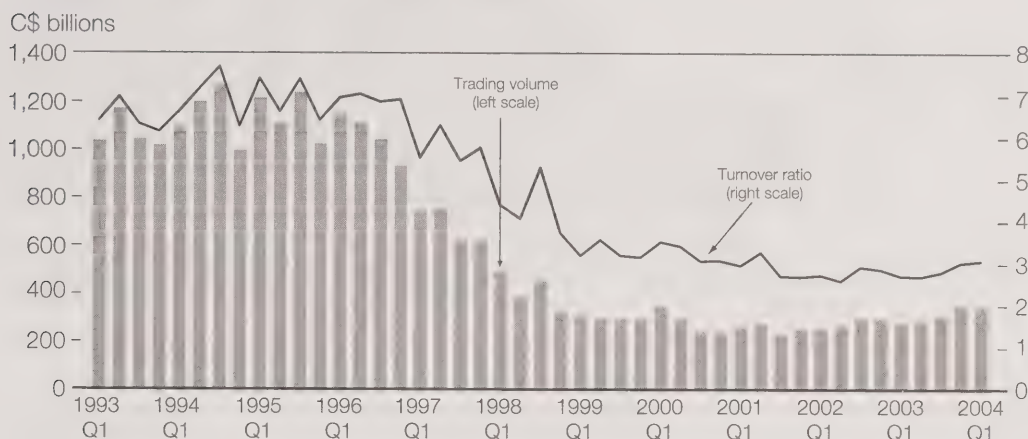
Note: Turnover ratio is total trading volume in each quarter/stock. Comparisons with the UK do not take into account higher issuance levels of inflation-linked bonds compared to other sovereigns.

Sources: *Australian Financial Markets Report*, Bank of Canada, Federal Reserve Bank of New York, Japan Ministry of Finance, The Bureau of the Public Debt of the U.S., London Stock Exchange, United Kingdom Debt Management Office, Reserve Bank of New Zealand.

The volume of transactions in the Treasury bill market improved from the previous fiscal year but remains below the highs in the mid-1990s, when the level of the Treasury bill stock was at its peak. In 2003–04 total Treasury bill turnover was \$1,290 billion (see Chart 12).

Chart 12

Government of Canada Treasury Bills Trading Volume and Turnover Ratio



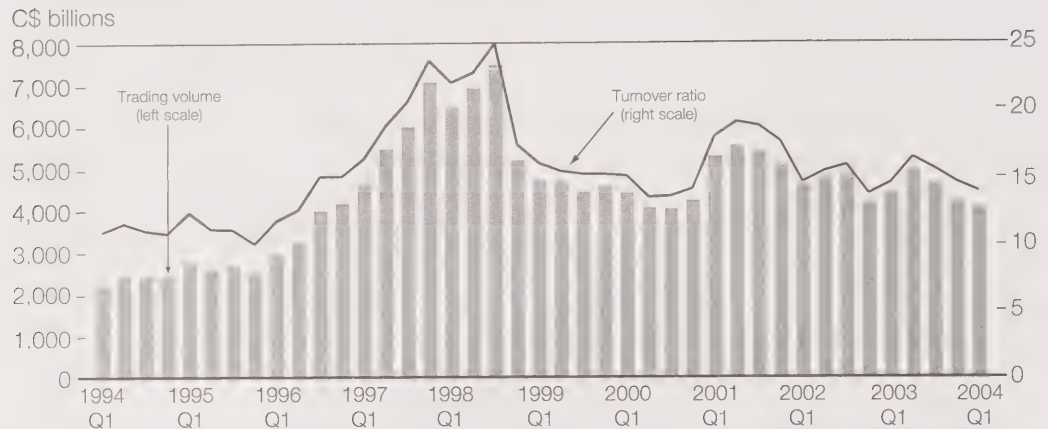
Note: Trading volume is total trading volume in each quarter. Turnover ratio is total trading volume in each quarter/stock.

Source: Bank of Canada.

Both Government of Canada bond repos and Treasury bill repos remained active in 2003–04. The total turnover for Government of Canada bond repos in 2003–04 was \$17,745 billion, down from \$18,164 billion in 2002–03. The average quarterly turnover ratio for bond repos in 2003–04 was 15.0 times compared to 14.8 times in 2002–03 (see Chart 13). The Treasury bill repo market volume in 2003–04 was \$2,710 billion and the average quarterly turnover ratio was 6.0 (see Chart 14). Turnover and trading volume were in line with the stock of Treasury bill decreases in the late 1990s.

Chart 13

Government of Canada Bond Repos Trading Volume and Turnover Ratio

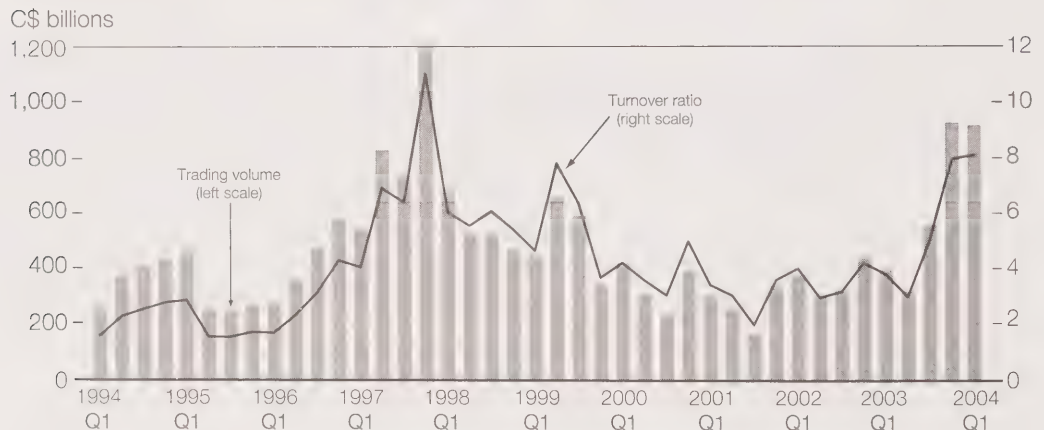


Note: Trading volume is total trading volume in each quarter. Turnover ratio is total trading volume in each quarter/stock.

Source: Bank of Canada.

Chart 14

Government of Canada Treasury Bill Repos Trading Volume and Turnover Ratio



Note: Trading volume is total trading volume in each quarter. Turnover ratio is total trading volume in each quarter/stock.

Source: Bank of Canada.

The trading volume of futures contracts in 2003–04 maintained the levels of previous years. The futures contract based on the 10-year Government of Canada bond (the Canadian Government Bond contract or CGB contract) continues to be actively traded, as trading volume reached 2.4 million in 2003, a 32.9-per-cent increase from 2002.

Trading by Market Participants

Bonds

Primary dealers' share of bond trading decreased from 2002–03 while non-primary dealers' share increased, but the levels have remained fairly stable over the last four years. The 10 most active participants in the bond secondary market represent 95.1 per cent of trading activities (see Table 10).

Table 10

Bonds Trading: Market Share of Participants

Participant Type	2000–01	2001–02	2002–03	2003–04
			(%)	
PDs	93.5	94.0	93.3	92.6
Non-PDs	6.5	6.0	6.7	7.4
Top 10 participants	91.6	96.0	95.9	95.1

Source: Bank of Canada.

Treasury Bills

Primary dealers have become the main traders in the Treasury bill secondary market and represent 98.4 per cent of total trading volume. The 10 most active participants in the Treasury bill secondary market represent 99.2 per cent of trading activities (see Table 11).

Table 11

Treasury Bill Trading: Market Share of Participants

Participant Type	2000–01	2001–02	2002–03	2003–04
			(%)	
PDs	98.3	98.3	98.4	98.4
Non-PDs	1.7	1.7	1.6	1.6
Top 10 participants	98.3	99.4	99.5	99.2

Source: Bank of Canada.

Cash Management

Receiver General (RG) cash balances, the Government's Canadian-dollar balances, fluctuate widely over the year with variations in the Government's financial operations, periodic large maturities of Government of Canada bonds, the operations of the Bank of Canada and changes in market conditions. The primary objective is to hold the lowest level of cash balances, consistent with ensuring funds are available to meet daily requirements with an appropriate margin for uncertainty.

Treasury managers use a number of indicators with respect to cash management activities, including the average level of cash balances, coverage and tail at RG auctions, the performance of participants at RG auctions, effectiveness of the cash management bond buyback program, and the cost of carry.

Average Daily Cash Balances

Average daily cash balances increased in 2003–04 to \$7.9 billion (see Table 12) as a result of larger bond maturities relative to the previous fiscal year.

Table 12

Average Daily RG Cash Balances Held at Financial Institutions

	1999–00	2000–01	2001–02	2002–03	2003–04
	(\$ millions)				
Average daily cash balances	9,021	10,188	7,921	6,139	7,854

Source: Bank of Canada.

Coverage and Tails

In 2003–04 RG coverage improved from the previous fiscal year for both AM and PM auctions, and was above the rolling four-year average (see Table 13). The results are a continuation of the trend from the previous year, when the new RG collateralization framework was introduced to encourage more participation in AM auctions.

In 2003–04 AM auction tails widened by more than half a basis point from the previous year but were roughly in line with the four-year average. PM auction tails remained stable, below the average of the last four years.

Table 13

Performance at Receiver General Auctions

	2000–01	2001–02	2002–03	2003–04	4-yr. avg.
AM auctions					
Coverage	2.53	2.42	3.29	3.38	2.83
Tail	1.18	2.28	0.91	1.68	1.51
PM auctions					
Coverage	1.78	2.27	2.31	2.53	2.17
Tail	4.81	2.58	3.04	3.09	3.54

Source: Bank of Canada.

Participation

In the first full year under a collateralized framework, the participant base at RG auctions widened, with non-LVTS (Large Value Transfer System) institutions, which were not eligible participants under the previous framework, becoming more active. The top 10 LVTS participants won 76 per cent of RG auctions on average in 2003–04, while other participants gained 24 per cent of the amount allotted (see Table 14).

Table 14

Receiver General Auctions Share of Amount Allotted Between LVTS and Other Participants

Participant Type	2000–01	2001–02	2002–03	2003–04
	(%)			
Top 10 LVTS	97.4	98.5	91.0	76.0
Top 10 others	0.0	0.0	7.1	23.8

Source: Bank of Canada.

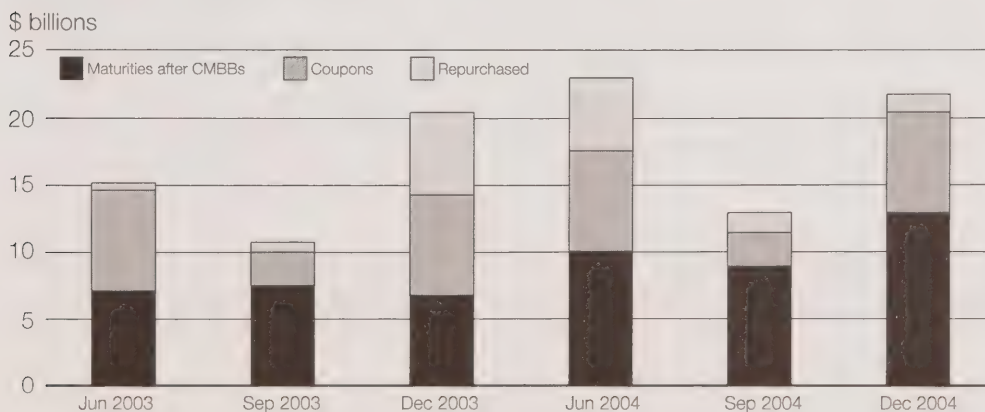
Cash Management Bond Buyback Program

The cash management bond buyback (CMBB) program helps manage the Government's cash requirements by reducing the high levels of government cash balances needed. The program also helps to smooth variations in Treasury bill auction sizes over the year.

In 2003–04 the total amount of bonds repurchased through the CMBB program was \$15.7 billion, compared to \$12.9 billion in 2002–03. The CMBB program lowered the December 2003 maturity by 48 per cent to \$6.7 billion. The program also repurchased \$5.4 billion in bonds from the June 2004 bond, reducing the maturing amount to \$10.0 billion. Overall, large maturities in 2003–04 were lowered by 46 per cent, dropping the Government's cost of holding high levels of cash balances for key coupon and maturity payment dates (see Chart 15).

Chart 15

Impact of CMBB Operations on the Government's Large Payments
As of March 31, 2004



Source: Department of Finance.

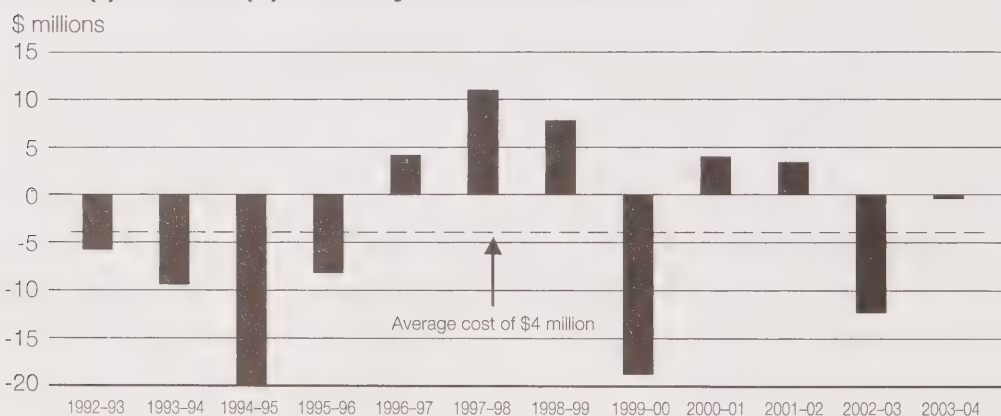
Cost of Carry

The key measure for the management of cash balances is the net return on cash balances: the difference between the return on government balances auctioned to financial institutions (typically around the overnight rate) and the average yield paid on Treasury bills. A normal upward sloping yield curve results in a cost of carry, as financial institutions pay rates of interest for government deposits based on an overnight rate that is lower than the rate paid by the Government to borrow funds. Conversely, under an inverted yield curve, short-term deposit rates are higher than the average of 3- to 12-month Treasury bill rates, which can result in a net gain for the Government.

In 2003–04 the financial impact of holding RG cash balances was a net cost of \$0.4 million, compared to a net cost of \$12.4 million for the prior fiscal year (see Chart 16). The cost of carry was offset by gains during the year made due to shifts in the short end of the yield curve from a normal upward sloping shape to an inverted shape.

Chart 16

Cost (-) or Gain (+) of Carry for Cash Balances



Source: Bank of Canada.

Foreign Currency Debt Programs

Canada Bills

In 2003–04 the level of outstanding Canada bills increased from \$2.6 billion (US\$1.8 billion) to \$3.4 billion (US\$2.6 billion)—see Table 2. In 2003–04 Canada bills were issued, on average, at an all-in cost of US\$LIBOR less 15-25 basis points.

Foreign Currency Bonds

There was no new foreign bond issuance and there were no maturities in 2003–04. The total outstanding was \$12.9 billion (US\$9.8 billion).

Canada Notes

There was no new Canada note issuance and there were no maturities in 2003–04. The total outstanding was \$1.2 billion (US\$1.0 billion).

Euro Medium-Term Notes

In 2003–04 no new Euro Medium-Term Notes were issued, while a total of \$0.09 billion (US\$0.07 billion) matured. The total outstanding decreased from \$3.3 billion (US\$2.2 billion) to \$3.0 billion (US\$2.4 billion).

Cross-Currency Swaps

In 2003–04 the Government of Canada raised \$0.14 billion (US\$0.1 billion) to fund the foreign exchange reserves by entering into three cross-currency swaps. A limited number of cross-currency swaps were issued compared to previous fiscal years due to the Government's small funding requirements in 2003–04. A total of \$3.3 billion (US\$2.5 billion) of swaps matured in 2003–04. At the end of the 2003–04 fiscal year, the outstanding amount of cross-currency swaps totalled \$24.6 billion (US\$18.8 billion) (see Reference Table XI for transaction details). Taking into account the effect of cross-currency swaps, foreign currency obligations were 10.0 per cent of market debt.

Funding and Investment of Reserves

The main measures in the area of the funding and investment of reserves are the costs of the liabilities and the cost of carry on the asset/liability portfolio.

Liability Costs: In 2003–04 the sources of reserve funding were Canada bills and cross-currency swaps. Canada bills were issued, on average, at an all-in cost of US\$LIBOR less 15-25 basis points—generally in line with funding levels of recent years.

In the case of cross-currency swaps, the Government raised reserve assets at US\$LIBOR less 34 basis points on average in 2003–04, in line with recent years.

Carry: One objective in managing the Exchange Fund Account (EFA) is to minimize the cost of carrying reserves. The EFA must be invested in liquid, high-quality, fixed-income securities, which provide a relatively low rate of return. In recent years policy changes have been made to broaden the eligible asset mix, within prudent limits, and to invest more in euro-denominated assets. These measures have helped to increase portfolio returns. Further means used to minimize the carry of the EFA have been the use of cross-currency swaps, which are highly cost-effective compared to other sources of funds, and the securities-lending program.

The carry on the foreign reserves is currently assessed by subtracting the interest paid on Canada's foreign currency liabilities from interest earned on the reserve assets (i.e. the net interest earned or paid) and expressing this value as a percentage of total assets held. When net realized gains (due to gains on US-dollar and euro asset sales) are taken into consideration, the overall carry of the total EFA portfolio in 2003–04 is estimated at +50.3 basis points compared to +64.5 basis points in 2002–03.² (The 2003 *Report on the Management of Canada's Official International Reserves*, available at www.fin.gc.ca/toce/2004/oir04_e.html, provides further information on the performance of the EFA.)

Holdings of Government of Canada Debt

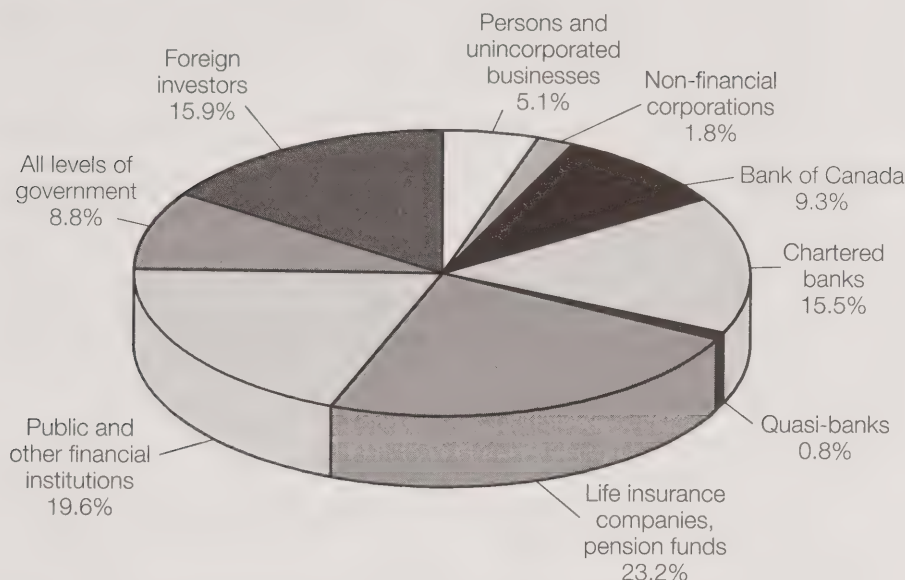
A diversified investor base helps to keep funding costs low by ensuring there is active demand for Government of Canada securities. The Government pursues diversification of its investor base by maintaining a domestic wholesale debt program that is attractive to a wide range of investors, offering a retail debt program that provides savings products to suit the needs of individual Canadians, and using a broad array of funding sources in its foreign borrowings.

In 2003 life insurance companies and pension funds accounted for the largest share of holdings of Government of Canada market debt (21.9 per cent). This is followed by public and other financial institutions such as investment dealers and mutual funds (19.6 per cent) and foreign investors (15.9 per cent)—see Chart 17. Taken together, they accounted for close to 60 per cent of total holdings.

Reference Table IV shows the evolution of the distribution of domestic holdings of Government of Canada debt since 1976, and illustrates that the holdings have become more diversified over that period.

² These numbers are significantly higher than the numbers reported in previous years due to a change in the methodology to include realized gains/losses on the sale of assets.

Chart 17
**Distribution of Holdings of
 Government of Canada Market Debt**
 As of March 31, 2004



Source: Statistics Canada, *National Balance Sheet Accounts*.

External Evaluations of Debt Management Policies and Activities

The Department of Finance has an ongoing treasury evaluation process to assess debt management effectiveness. The Department uses external evaluations to assess policies and operational decisions in the area of debt management in order to inform future decision making and contribute to public transparency and good governance. Independent evaluators are contracted to carry out the evaluations.

As noted earlier in Part II in the section entitled "Governance of Treasury Activities," two evaluations were undertaken in 2002–03, focusing on the retail debt program and on the governance of debt and reserves management. Table 15 lists all of the external studies undertaken of the debt management program.

Table 15

Treasury Evaluation Reports, 1992–2004

Area	Year
Debt Management Objectives	1992
Debt Structure—Fixed/Floating Mix	1992
Internal Review Process	1992
External Review Process	1992
Benchmarks and Performance Measures	1994
Foreign Currency Borrowing—Canada Bills Program	1994
Developing Well-Functioning Bond and Bill Markets	1994
Liability Portfolio Performance Measurement	1994
Retail Debt Program	1994
Guidelines for Dealing With Auction Difficulties	1995
Foreign Currency Borrowing—Standby Line of Credit and FRN	1995
Treasury Bill Program Design	1995
Real Return Bond Program	1998
Foreign Currency Borrowing Programs	1998
Initiatives to Support a Well-Functioning Wholesale Market	2001
Debt Structure Target/Modelling	2001
Reserves Management Framework	2002
Bond Buybacks	2003
Funds Management Governance Framework	2004
Retail Debt Program	2004

Note: The last two reports are available online at www.fin.gc.ca.

Source: Department of Finance.

Annex 1—Composition of the Federal Debt

Gross Debt

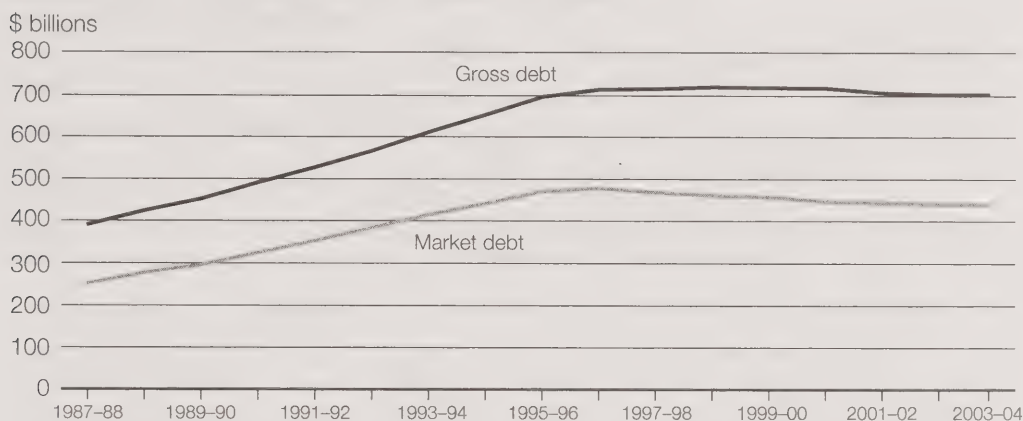
Gross debt is made up of market debt and non-market debt. At the end of March 2004 gross debt totalled \$701.1 billion, up \$1.0 billion from the previous year and down \$14.7 billion from its peak of \$715.8 billion in 1999–2000.

Market Debt

Market debt is the portion of gross debt that is funded in the capital markets and managed by the Government. Market debt consists of marketable bonds, Treasury bills, foreign currency denominated bonds and bills, retail debt, bonds held by the Canada Pension Plan (CPP) and obligations related to capital leases. Foreign currency debt is issued on an opportunistic basis. At March 31, 2004, market debt outstanding was \$440.2 billion, down \$2.2 billion from the previous year (see Chart A1).

Chart A1

Evolution of Gross Debt and Market Debt



Source: *Public Accounts of Canada*.

Non-Market Debt

Non-market debt includes liabilities held by the Government, outside the capital markets. This includes money owed to public sector pensions, the CPP, and employees and veterans for future benefits, as well as other liabilities, accounts payable and accrued liabilities and allowances. In 2003–04 non-market debt amounted to \$260.9 billion, up \$3.2 billion from 2002–03.

Net Debt

Net debt is gross debt minus financial assets. Financial assets include cash, foreign exchange accounts and loans. Net debt declined by \$8.5 billion, from \$564.8 billion in 2002–03 to \$556.3 billion in 2003–04. The Government's financial assets increased by \$9.5 billion to \$144.8 billion, as the decrease in foreign exchange reserves was more than offset by increases in the Government's cash balances, tax receivable, loans, investments and advances.

Federal Debt

Federal debt, or the accumulated deficit, is net debt minus non-financial assets. Non-financial assets include tangible capital assets, inventories and prepaid expenses. Federal debt declined by \$9.1 billion, from \$510.6 billion in 2002–03 to \$501.5 billion in 2003–04. The Government's non-financial assets increased by only \$0.6 billion to \$54.8 billion, as the increase in tangible capital assets was offset somewhat by a decrease in prepaid expenses.

Annex 2—Managing the Risks of Holding Cash and Reserves

In recent years the Government has put in place frameworks to manage financial risk, particularly its exposure to the financial institution counterparties with which it transacts in the management of its Receiver General cash balances and foreign exchange reserves.

The Government's risk management policies, supported by a financial risk office at the Bank of Canada, call for prudent management of treasury risks based on best practices. Risk tolerances are low, calling for market risk to be immunized to the greatest extent possible and the maintenance of high credit quality and portfolio diversification standards.

Foreign currency reserve assets and the liabilities financing these assets have been managed together on a portfolio basis since 1998, based on principles used by private sector financial institutions. The Government uses an asset-liability matching framework, whereby assets and liabilities financing these assets are matched (as closely as possible) in currency and duration, so that the Government is not exposed to currency and interest rate risks. The risk of material loss arising from interest and/or currency risk is very low.

In the late 1990s the Government also developed a rigorous, comprehensive credit risk system that is consistent with best practices and includes credit exposure limits pertaining to issuers and counterparties across all lines of business. The management of Canadian-dollar cash balances and the investment of reserve assets are governed by detailed investment and credit guidelines approved by the Minister of Finance. The guidelines limit the Government's credit exposure to commercial financial institution counterparties and to the issuer of securities held by the Government in the foreign currency reserve portfolio.

More recently the Government has further strengthened its risk management framework by implementing collateral management frameworks. Collateral management systems are increasingly the norm in capital markets as a way of managing credit risk. Under these frameworks, high-quality collateral (e.g. cash, securities) is posted to the Government when credit risk to financial institution counterparties exceeds specified limits.

Collateral Framework for Investment of Canadian-Dollar Cash Balances

A collateralized framework for AM auctions was implemented in September 2002. The new framework strengthens the management of the credit risks involved in the investment of cash balances through the use of credit ratings, credit lines and collateral agreements, and increases competition in the auction of cash balances by opening the AM auctions to a wider range of participants. The number of eligible participants has increased from 13 to 21 institutions. The PM auction remains unchanged. Please see the Bank of Canada Web page at www.bankofcanada.ca/en/auction/rec_general.pdf for further information.

Collateral Framework for Swaps and Foreign Currency Cash Balances

Cross-currency swaps of domestic obligations have been used since March 1995 to fund the foreign exchange reserves. Swaps are highly cost-effective compared to other sources of foreign currency funding. The Government's swap portfolio has increased significantly and as of March 31, 2004, it stood at \$24.6 billion.

To mitigate the counterparty credit risk associated with swaps, the Government implemented a collateral management framework in April 2002. High-quality collateral is posted to the Government if individual credit exposures, arising from changes in the mark-to-market values of swap contracts, exceed pre-set limits. As of March 31, 2004, the swap collateral framework included 12 financial institution counterparties.

In addition to the swap collateral framework, in the latter part of 2002–03, the Government developed a US-dollar repo program to reduce the use of uncollateralized short-term US-dollar deposits with commercial banks. Under the repo framework, collateral is posted to the Government to protect US-dollar cash invested with financial institution counterparties. As of March 31, 2004, the Government had signed seven counterparties to its US-dollar repo framework.

Amendment of Investment and Risk Guidelines

With the implementation of a collateral management framework for the Government's cross-currency swap program, in 2002 the Government modified its credit guidelines to accept A-rated financial institutions as eligible counterparties for foreign currency deposits and swaps. This change helped the Government further diversify its investments across financial institution counterparties without increasing risk significantly. Credit exposure to A-rated financial institutions is maintained within prudent standards, consistent with best practices of comparable sovereigns and major market participants.

The investment guidelines governing the management of the reserves asset portfolio were also modified in 2002 to allow a limited amount of securities of A-rated sovereigns to be held within prudent limits (previously the Government could only invest in AA- and AAA-rated sovereigns), mirroring the change to allow limited exposure to A-rated financial counterparties involved in reserves management. This change is in line with the investment practices of a number of Organisation for Economic Co-operation and Development sovereigns and allows the Government to further diversify its reserves investment portfolio.

Maintenance of Supplementary Liquidity

In August 2002 the Government successfully renegotiated its existing US\$6-billion standby credit facility with international banks. The standby facility provides supplementary liquidity to meet the Government's needs in the event that market disruption makes borrowing through securities markets impossible. Under the renewal of the facility, the composition of the banks in the facility was changed, and the maturity date was extended from 2003 to 2007. No other changes were made to the terms of the facility.

Annex 3—Glossary

basis point: One-hundredth of a percentage point (0.01 per cent).

benchmark bond: Specific issue outstanding within each class of maturities. It is considered by the market to be the standard against which all other bonds issued in that class are evaluated.

bid: Price a buyer is willing to pay.

bid-offer spread: The difference between bid and offer prices. It is typically measured in basis points.

budgetary surplus: Occurs when government annual revenues exceed annual budgetary expenses. A deficit is the shortfall between government annual revenues and annual budgetary expenses.

cash management: Control by the Bank of Canada of settlement balances through increases or decreases in the amount of cash balances supplied to LVTs participants in relation to the amount demanded in order to reinforce the Bank's target interest rate.

compound interest bond (C-bond): A Canada Savings Bond or Canada Premium Bond on which interest accrues and is compounded annually to maturity or until redeemed.

Exchange Fund Account: A fund maintained by the Government of Canada for the purpose of promoting order and stability of the Canadian dollar in the foreign exchange market. This function is fulfilled by purchasing foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure on the currency.

financial source/requirement: Measures the difference between the cash coming in to the Government and the cash going out. In the case of a financial requirement, it is the amount of new borrowing required from outside lenders to meet the Government's financing needs in any given year.

foreign exchange reserves: Stocks of foreign exchange assets (e.g. interest-earning bonds) held by sovereign states to support the value of the domestic currency. Canada's foreign exchange reserves are held in the Exchange Fund Account.

Government of Canada securities auction: A process used for selling Government of Canada debt securities (mostly marketable bonds and Treasury bills) in which issues are sold by public tender to government securities distributors.

government securities distributors (GSDs): Members of a group of investment dealers and banks through which the Government distributes Government of Canada Treasury bills and marketable bonds.

inflation: A persistent rise over time in the average price of goods and services.

interest-bearing debt: Consists of unmatured debt, or market debt, and the Government's liabilities to internally held accounts such as federal employees' pension plans.

Large Value Transfer System (LVTS): An electronic system for the transfer of large-value or time-critical payments.

marketable bond: A Canadian government debt security that is non-cashable prior to maturity, but whose ownership may be transferred from one holder to another on the open market.

marketable debt: Market debt that is issued by the Government of Canada and sold via public tender or syndication. These issues can be traded between investors while outstanding.

monetary policy: A policy that seeks to improve the performance of the economy by regulating money supply and credit.

money market: The market in which short-term capital is raised, invested and traded using financial instruments such as Treasury bills, bankers' acceptances, commercial paper, and bonds maturing in one year or less.

offer: Price at which a seller is willing to sell.

overnight rate; overnight financing rate; overnight money market rate; overnight lending rate: The rate at which major participants in the money market borrow and lend one-day funds to each other.

primary dealers (PDs): Members of the core group of government securities distributors that maintain a certain threshold of activity in the market for Government of Canada securities. The primary dealer classification can be attained in either Treasury bills or marketable bonds, or both.

primary market: The market in which securities are initially sold or offered.

regular interest bond (R-bond): A Canada Savings Bond or Canada Premium Bond on which interest is paid annually by cheque or by direct deposit to maturity or until redeemed.

repo; repurchase agreement: A transaction in which a party sells a security and simultaneously agrees to repurchase it at a given price after a specified time.

secondary market: The market in which previously issued securities are traded, as distinguished from the new issue or primary market.

turnover ratio: Volume of securities traded as a percentage of securities outstanding.

yield curve: The levels of interest rates from short- to long-term maturities.

Annex 4—Contact Information

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Reference Table I

Gross Public Debt, Outstanding Market Debt and Debt Charges

Fiscal years	Gross public debt				Outstanding market debt			
	Outstanding (\$ billions)	Fixed-rate portion ¹ (%)	Average fixed-rate portion ² (%)	Total debt charges (\$ billions)	Outstandings ³ (\$ billions)	Fixed-rate portion (%)	Total debt charges (\$ billions)	Average interest rate (%)
1985-86	321.5	51.9	0	27.7	202.3	36.7	20.7	10.66
1986-87	357.2	50.9	0	28.7	229.7	36.9	21.5	9.34
1987-88	390.3	51.2	0	31.2	251.9	38.2	23.1	9.61
1988-89	423.8	49.6	0	35.5	277.4	37.2	26.5	10.82
1989-90	451.8	49.9	0	41.2	295.7	38.1	31.4	11.20
1990-91	490.3	50.4	0	45.0	325.0	38.5	34.3	10.72
1991-92	526.9	50.7	0	43.9	353.0	38.9	32.4	8.86
1992-93	566.0	50.4	0	41.3	383.9	39.0	29.4	7.88
1993-94	610.7	53.3	0	40.1	415.1	42.7	28.0	6.75
1994-95	651.6	55.1	0	44.2	442.8	44.4	31.4	7.97
1995-96	694.6	56.9	0	49.4	471.4	47.9	35.3	7.34
1996-97	711.9	61.7	0	47.3	478.8	53.8	33.0	6.66
1997-98	713.4	63.7	0	43.1	469.2	56.8	31.0	6.64
1998-99	717.7	64.5	66.6	43.3	463.0	58.5	30.8	6.70
1999-00	716.3	66.5	66.6	43.4	459.0	59.1	30.5	6.15
2000-01	715.0	67.8	67.6	43.9	449.0	60.5	30.7	6.11
2001-02	704.3	67.4	67.6	39.7	444.9	60.1	27.4	5.56
2002-03	700.1	65.8	65.8	37.3	442.4	61.2	25.2	5.32
2003-04	701.1	63.8	64.4	35.7	440.2	58.7	23.4	4.91

¹ For interest-bearing debt as of March 31. Calculation methodology may vary slightly from year to year. The definition of interest-bearing debt has changed slightly in 2002-03 to reflect the adoption of the full accrual basis of accounting.

² Average over the year. Comparative figures for prior years are not available.

³ Includes capital lease obligations.

Sources: *Public Accounts of Canada, Bank of Canada Review*, Department of Finance estimates.

Reference Table II
Government of Canada Outstanding Market Debt

Fiscal years	Payable in Canadian dollars				Payable in foreign currencies							Total market debt
	Treasury bills	Marketable bonds	Retail debt	CPP bonds	Total	Marketable bonds	Canada bills	Canada notes ¹	Standby drawings	Term loans	Total	
	(C\$ millions)											
1977-78	11,295	21,645	18,036	84	51,060	181	0	0	850	0	1,031	51,664
1978-79	13,535	26,988	19,443	96	60,062	3,319	0	0	2,782	1,115	7,216	66,640
1979-80	16,325	33,387	18,182	113	68,007	3,312	0	0	359	1,030	4,701	72,021
1980-81	21,770	40,976	15,966	136	78,848	3,236	0	0	355	1,046	4,637	83,138
1981-82	19,375	43,605	25,108	154	88,242	3,867	0	0	0	550	4,417	93,167
1982-83	29,125	48,473	32,753	171	110,522	4,872	0	0	0	362	5,234	116,562
1983-84	41,700	56,976	38,403	189	137,268	4,306	0	0	510	398	5,214	142,901
1984-85	52,300	69,354	42,167	205	164,026	4,972	0	0	1,909	1,172	8,053	172,719
1985-86	61,950	81,163	44,607	445	188,165	9,331	0	0	2,233	2,247	13,811	201,229
1986-87	76,950	94,520	43,854	1,796	217,120	9,120	1,045	0	0	2,047	12,212	228,611
1987-88	81,050	103,899	52,558	2,492	239,999	8,438	1,045	0	0	2,257	11,740	250,809
1988-89	102,700	115,748	47,048	3,005	268,501	6,672	1,131	0	0	934	8,737	276,301
1989-90	118,550	127,681	40,207	3,072	289,510	4,364	1,446	0	0	0	5,810	294,562
1990-91	139,150	143,601	33,782	3,492	320,025	3,555	1,008	0	0	0	4,563	323,903
1991-92	152,300	158,059	35,031	3,501	348,891	3,535	0	0	0	0	3,535	351,885
1992-93	162,050	178,436	33,884	3,505	377,875	2,926	2,552	0	0	0	5,478	382,741
1993-94	166,000	203,373	30,866	3,497	403,736	5,019	5,649	0	0	0	10,668	413,975
1994-95	164,450	225,513	30,756	3,488	424,207	7,875	9,046	0	0	0	16,921	440,998
1995-96	166,100	252,411	30,801	3,478	452,790	9,514	6,986	310	0	0	16,810	469,547
1996-97	135,400	282,059	32,911	3,468	453,838	12,460	8,436	2,121	0	0	23,017	476,852
1997-98	112,300	293,987	30,302	3,456	440,045	14,590	9,356	3,176	0	0	27,122	467,291
1998-99	96,950	294,914	28,810	4,063	424,737	19,655	10,171	6,182	0	0	36,008	460,427
1999-00	99,850	293,250	27,115	3,427	423,642	21,464	6,008	5,168	0	0	32,640	456,406
2000-01	88,700	293,879	26,457	3,404	412,440	20,509	7,228	5,695	0	0	33,432	445,724
2001-02	94,200	292,910	24,229	3,386	414,725	19,652	3,355	4,405	0	0	27,412	442,137
2002-03	104,600	286,289	22,878	3,369	417,136	14,412	2,603	4,533	0	0	21,548	436,684
2003-04	113,400	276,022	21,521	3,351	414,294	20,523	3,364	1,085	0	0	24,972	439,266

Note: Subcategorization of Government of Canada debt is in accordance with Bank of Canada reports, which may vary slightly from Public Accounts categories due to differences in classification methods. The total outstanding market debt may not equal the sum of the parts due to slight differences between the Bank of Canada's and Department of Finance's numbers.

¹ Includes EMTNs.

Sources: *Bank of Canada Review*, Department of Finance.

Reference Table III
Average Weekly Domestic Market Trading in Government of Canada Securities, April 2003 to March 2004

	Treasury bills	Marketable bonds				Total marketable bonds	Total
		3 years and under	3 to 10 years	Over 10 years	Real return bonds		
				(\$ millions)			
April 2003	22,555	35,109	36,682	6,871	377	79,039	101,594
May 2003	20,535	37,425	41,998	10,732	303	90,458	110,993
June 2003	22,976	39,559	54,823	9,430	468	104,280	127,256
July 2003	24,091	34,857	53,167	7,920	332	96,276	120,367
August 2003	22,738	29,844	41,307	6,514	228	77,893	100,631
September 2003	24,686	39,767	39,831	6,231	267	86,096	110,782
October 2003	23,631	35,954	39,675	7,645	299	83,573	107,204
November 2003	23,744	32,658	37,109	7,562	212	77,541	101,285
December 2003	27,154	26,908	33,554	6,040	453	66,955	94,109
January 2004	25,009	38,429	42,207	10,718	477	91,831	116,840
February 2004	26,511	38,920	42,681	8,033	392	90,026	116,537
March 2004	27,671	36,903	45,891	8,777	343	91,914	119,585

Source: Bank of Canada, Banking and Financial Statistics.

Reference Table IV

*Distribution of Domestic Holdings of Government of Canada Securities*PART A — Treasury Bills, Canada Bills, Bonds,¹ Canada Savings Bonds and Canada Premium Bonds

Year end	Persons and unincorporated businesses	Non-financial corporations	Bank of Canada	Chartered banks	Quasi-banks ²	Life insurance companies and pension funds	Public and other financial institutions ³	All levels of government ⁴	Foreign	Total
(\$ millions)										
1976	17,932	395	8,242	8,666	716	1,436	2,273	730	1,652	42,042
1977	20,277	321	10,268	9,601	1,048	2,271	3,114	1,014	2,185	50,099
1978	22,723	403	12,001	9,896	1,537	3,738	4,017	1,721	4,770	60,806
1979	23,144	374	13,656	10,156	1,684	6,716	4,103	2,878	5,956	68,667
1980	24,253	555	15,858	10,002	2,771	9,274	5,561	4,248	7,630	80,152
1981	33,425	520	17,100	10,003	2,452	10,569	5,342	4,194	9,102	92,707
1982	42,320	2,267	15,428	11,233	3,288	13,151	9,177	4,654	10,737	112,255
1983	50,306	5,502	16,859	15,107	5,551	17,816	9,984	5,321	12,091	138,537
1984	60,748	6,783	17,184	15,164	4,887	24,039	11,978	7,166	16,205	164,154
1985	74,331	7,387	15,668	15,198	5,706	31,068	15,086	10,106	21,608	196,158
1986	71,073	6,259	18,374	17,779	7,277	34,887	18,414	11,293	33,060	218,416
1987	83,732	8,591	20,201	16,012	6,400	38,870	19,547	13,918	36,462	243,733
1988	86,591	8,634	20,606	21,115	7,492	42,460	19,028	17,186	51,134	274,246
1989	81,566	11,402	21,133	20,804	9,854	48,037	23,950	17,840	61,707	296,293
1990	80,079	11,797	20,325	24,224	10,460	52,984	26,051	19,574	72,586	318,080
1991	72,945	11,580	22,370	35,792	12,091	57,846	33,054	21,015	82,553	349,246
1992	70,930	13,696	22,607	44,555	12,428	62,042	39,396	20,222	88,878	374,754
1993	61,221	10,359	23,498	60,242	11,229	69,917	45,321	18,397	108,847	409,031
1994	52,842	12,039	24,902	70,063	9,992	78,545	52,847	24,967	110,080	436,277
1995	48,867	12,048	23,590	76,560	10,947	87,467	59,044	26,324	116,543	461,390
1996	46,187	10,013	25,556	74,789	10,952	90,174	71,514	24,828	118,474	472,487
1997	39,924	10,470	27,198	67,715	7,054	94,991	79,445	25,509	112,865	465,171
1998	33,537	8,525	27,911	66,375	6,659	99,687	79,895	28,174	106,763	457,526
1999	37,118	9,290	29,075	54,080	7,944	108,656	81,257	28,394	102,263	458,077
2000	33,259	9,062	31,726	58,269	2,842	108,752	73,911	30,280	91,477	439,578
2001	33,979	7,643	37,204	65,396	3,561	99,744	76,482	34,341	80,974	439,324
2002	22,860	8,417	38,859	66,057	3,307	97,463	81,521	33,436	88,237	440,157
2003	21,455	7,827	40,398	67,434	3,605	101,096	85,176	38,184	68,065	433,240

Reference Table IV (cont'd)

Distribution of Domestic Holdings of Government of Canada Securities

PART B — Treasury Bills, Canada Bills, Bonds,¹ and Canada Savings Bonds and Canada Premium Bonds

Year end	Persons and unincorporated businesses	Non-financial corporations	Bank of Canada	Chartered banks	Quasi-banks ²	Life insurance companies and pension funds	Public and other financial institutions ³	All levels of government ⁴	Foreign	Total ⁵
	(%)									
1976	42.65	0.94	19.60	20.61	1.70	3.42	5.41	1.74	3.93	100.00
1977	40.47	0.64	20.50	19.16	2.09	4.53	6.22	2.02	4.36	100.00
1978	37.37	0.66	19.74	16.27	2.53	6.15	6.61	2.83	7.84	100.00
1979	33.70	0.54	19.89	14.79	2.45	9.78	5.98	4.19	8.67	100.00
1980	30.26	0.69	19.78	12.48	3.46	11.57	6.94	5.30	9.52	100.00
1981	36.05	0.56	18.45	10.79	2.64	11.40	5.76	4.52	9.82	100.00
1982	37.70	2.02	13.74	10.01	2.93	11.72	8.18	4.15	9.56	100.00
1983	36.31	3.97	12.17	10.90	4.01	12.86	7.21	3.84	8.73	100.00
1984	37.01	4.13	10.47	9.24	2.98	14.64	7.30	4.37	9.87	100.00
1985	37.89	3.77	7.99	7.75	2.91	15.84	7.69	5.15	11.02	100.00
1986	32.54	2.87	8.41	8.14	3.33	15.97	8.43	5.17	15.14	100.00
1987	34.35	3.52	8.29	6.57	2.63	15.95	8.02	5.71	14.96	100.00
1988	31.57	3.15	7.51	7.70	2.73	15.48	6.94	6.27	18.65	100.00
1989	27.53	3.85	7.13	7.02	3.33	16.21	8.08	6.02	20.83	100.00
1990	25.18	3.71	6.39	7.62	3.29	16.66	8.19	6.15	22.82	100.00
1991	20.89	3.32	6.41	10.25	3.46	16.56	9.46	6.02	23.64	100.00
1992	18.93	3.65	6.03	11.89	3.32	16.56	10.51	5.40	23.72	100.00
1993	14.97	2.53	5.74	14.73	2.75	17.09	11.08	4.50	26.61	100.00
1994	12.11	2.76	5.71	16.06	2.29	18.00	12.11	5.72	25.23	100.00
1995	10.59	2.61	5.11	16.59	2.37	18.96	12.80	5.71	25.26	100.00
1996	9.78	2.12	5.41	15.83	2.32	19.08	15.14	5.25	25.07	100.00
1997	8.58	2.25	5.85	14.56	1.52	20.42	17.08	5.48	24.26	100.00
1998	7.33	1.86	6.10	14.51	1.46	21.79	17.46	6.16	23.33	100.00
1999	8.10	2.03	6.35	11.81	1.73	23.72	17.74	6.20	22.32	100.00
2000	7.57	2.06	7.22	13.26	0.65	24.74	16.81	6.89	20.81	100.00
2001	7.73	1.74	8.47	14.89	0.81	22.70	17.41	7.82	18.43	100.00
2002	5.19	1.91	8.83	15.01	0.75	22.14	18.52	7.60	20.05	100.00
2003	5.10	1.80	9.31	15.54	0.83	23.30	19.63	8.80	15.69	100.00

Reference Table IV (cont'd)
Distribution of Domestic Holdings of Government of Canada Securities
 PART C — Treasury Bills and Canada Bills

Year end	Persons and unincorporated businesses	Non-financial corporations	Bank of Canada	Chartered banks	Quasi- banks ²	Life insurance companies and pension funds	Public and other financial institutions ¹	All levels of government ³	Total
									(\$ millions)
1976	171	125	1,964	4,219	52	44	515	193	7,283
1977	394	136	2,461	4,949	143	98	1,020	311	9,512
1978	576	198	3,567	5,517	193	261	1,554	519	12,385
1979	785	165	4,345	6,690	65	245	1,550	843	14,688
1980	1,493	288	5,317	7,500	619	460	2,431	1,512	19,620
1981	1,019	369	5,431	8,597	343	560	2,187	1,082	19,588
1982	1,237	1,930	2,483	10,034	1,357	1,244	5,008	1,199	24,492
1983	3,766	5,146	2,595	12,879	3,180	2,587	5,376	1,286	36,815
1984	7,454	6,275	3,515	12,997	2,792	3,876	6,544	2,498	45,951
1985	13,340	6,517	3,985	12,629	3,651	3,924	8,129	4,136	56,311
1986	16,158	4,875	7,967	15,161	4,709	3,592	10,164	3,416	66,042
1987	17,733	7,232	9,682	11,498	3,725	4,806	9,589	5,002	69,267
1988	20,213	7,414	9,945	15,224	5,614	7,648	9,133	7,726	82,917
1989	29,156	9,668	11,124	17,410	8,116	9,664	12,908	9,251	107,297
1990	36,461	10,756	10,574	17,841	8,976	11,737	13,298	9,388	119,031
1991	30,423	10,437	13,093	24,382	9,089	12,386	17,636	10,417	127,863
1992	32,901	11,254	14,634	27,989	9,646	13,639	19,907	8,726	138,696
1993	27,459	9,657	16,876	29,901	9,222	17,085	22,336	7,151	139,687
1994	17,562	8,499	18,973	30,415	6,879	14,376	22,021	10,631	129,356
1995	16,296	9,204	18,298	30,865	7,760	15,315	25,183	10,603	133,524
1996	10,474	8,285	17,593	23,470	5,493	13,520	32,752	6,264	117,851
1997	5,966	6,858	14,233	19,448	3,133	8,944	32,653	3,803	95,038
1998	1,291	6,215	10,729	16,713	2,392	4,529	32,508	3,578	77,955
1999	8,539	6,662	8,584	9,814	3,234	8,128	36,932	3,497	85,390
2000	7,568	6,735	8,090	6,188	685	7,222	31,087	5,108	72,683
2001	8,744	6,990	11,427	9,969	675	10,401	37,154	6,838	92,198
2002	551	5,894	11,639	18,869	708	12,768	40,087	7,115	97,631
2003	987	5,268	11,733	26,150	863	15,196	40,843	7,647	108,687

Reference Table IV (cont'd)
Distribution of Domestic Holdings of Government of Canada Securities
 PART D—Treasury Bills and Canada Bills

Year end	Persons and unincorporated businesses	Non-financial corporations	Bank of Canada	Chartered banks	Quasi- banks ²	Life insurance companies and pension funds	Public and other financial institutions ³	All levels of government ³	Total ⁴
					(%)				
1976	2.35	1.72	26.97	57.93	0.71	0.60	7.07	2.65	100.00
1977	4.14	1.43	25.87	52.03	1.50	1.03	10.72	3.27	100.00
1978	4.65	1.60	28.80	44.55	1.56	2.11	12.55	4.19	100.00
1979	5.34	1.12	29.58	45.55	0.44	1.67	10.55	5.74	100.00
1980	7.61	1.47	27.10	38.23	3.15	2.34	12.39	7.71	100.00
1981	5.20	1.88	27.73	43.89	1.75	2.86	11.16	5.52	100.00
1982	5.05	7.88	10.14	40.97	5.54	5.08	20.45	4.90	100.00
1983	10.23	13.98	7.05	34.98	8.64	7.03	14.60	3.49	100.00
1984	16.22	13.66	7.65	28.28	6.08	8.44	14.24	5.44	100.00
1985	23.69	11.57	7.08	22.43	6.48	6.97	14.44	7.34	100.00
1986	24.47	7.38	12.06	22.96	7.13	5.44	15.39	5.17	100.00
1987	25.60	10.44	13.98	16.60	5.38	6.94	13.84	7.22	100.00
1988	24.38	8.94	11.99	18.36	6.77	9.22	11.01	9.32	100.00
1989	27.17	9.01	10.37	16.23	7.56	9.01	12.03	8.62	100.00
1990	30.63	9.04	8.88	14.99	7.54	9.86	11.17	7.89	100.00
1991	23.79	8.16	10.24	19.07	7.11	9.69	13.79	8.15	100.00
1992	23.72	8.11	10.55	20.18	6.95	9.83	14.35	6.29	100.00
1993	19.66	6.91	12.08	21.41	6.60	12.23	15.99	5.12	100.00
1994	13.58	6.57	14.67	23.51	5.32	11.11	17.02	8.22	100.00
1995	12.20	6.89	13.70	23.12	5.81	11.47	18.86	7.94	100.00
1996	8.89	7.03	14.93	19.91	4.66	11.47	27.79	5.32	100.00
1997	6.28	7.22	14.98	20.46	3.30	9.41	34.36	4.00	100.00
1998	1.66	7.97	13.76	21.44	3.07	5.81	41.70	4.59	100.00
1999	10.00	7.80	10.05	11.49	3.79	9.52	43.25	4.10	100.00
2000	10.41	9.27	11.13	8.51	0.94	9.94	42.77	7.03	100.00
2001	9.48	7.58	12.39	10.81	0.73	11.28	40.30	7.42	100.00
2002	0.56	6.04	11.92	19.33	0.73	13.08	41.06	7.29	100.00
2003	0.91	4.85	10.80	24.06	0.79	13.98	37.58	7.04	100.00

Reference Table IV (cont'd)
Distribution of Domestic Holdings of Government of Canada Securities
 PART E—Bonds¹

Year end	Persons and unincorporated businesses	Non-financial corporations	Bank of Canada	Chartered banks	Quasi- banks	Life insurance companies and pension funds	Public and other financial institutions	All levels of government	Total
									(\$ millions)
1976	17,761	270	6,278	4,447	664	1,392	1,758	537	33,107
1977	19,883	185	7,807	4,652	905	2,173	2,094	703	38,402
1978	22,147	205	8,434	4,379	1,344	3,477	2,463	1,202	43,651
1979	22,359	209	9,311	3,466	1,619	6,471	2,553	2,035	48,023
1980	22,760	267	10,541	2,502	2,152	8,814	3,130	2,736	52,902
1981	32,406	151	11,669	1,406	2,109	10,009	3,155	3,112	64,017
1982	41,083	337	12,945	1,199	1,931	11,907	4,169	3,455	77,026
1983	46,540	356	14,264	2,228	2,371	15,229	4,608	4,035	89,631
1984	53,294	508	13,669	2,167	2,095	20,163	5,434	4,668	101,998
1985	60,991	870	11,683	2,569	2,055	27,144	6,957	5,970	118,239
1986	54,915	1,384	10,407	2,618	2,568	31,295	8,250	7,877	119,314
1987	65,999	1,359	10,519	4,514	2,675	34,064	9,958	8,916	138,004
1988	66,378	1,220	10,661	5,891	1,878	34,812	9,895	9,460	140,195
1989	52,410	1,734	10,009	3,394	1,738	38,373	11,042	8,589	127,289
1990	43,618	1,041	9,751	6,383	1,484	41,247	12,753	10,186	126,463
1991	42,522	1,143	9,277	11,410	3,002	45,460	15,418	10,598	138,830
1992	38,029	2,442	7,973	16,566	2,782	48,403	19,489	11,496	147,180
1993	33,762	702	6,622	30,341	2,007	52,832	22,985	11,246	160,497
1994	35,280	3,540	5,929	39,648	3,113	64,169	30,826	14,336	196,841
1995	32,571	2,844	5,292	45,695	3,187	72,152	33,861	15,721	211,323
1996	35,713	1,728	7,963	51,319	5,459	76,654	38,762	18,564	236,162
1997	33,958	3,612	12,965	48,267	3,921	86,047	46,792	21,706	257,268
1998	32,246	2,310	17,182	49,662	4,267	95,158	47,387	24,596	272,808
1999	28,579	2,628	20,491	44,266	4,710	100,528	44,325	24,897	270,424
2000	25,691	2,327	23,636	52,081	2,157	101,530	42,824	25,172	275,418
2001	25,235	653	25,777	55,427	2,886	89,343	39,328	27,503	266,152
2002	22,309	2,523	27,220	47,188	2,599	84,695	41,434	26,321	254,289
2003	20,468	2,559	28,665	41,284	2,742	85,900	44,333	30,537	256,488

Reference Table IV (cont'd)
Distribution of Domestic Holdings of Government of Canada Securities
 PART F—Bonds¹

Year end	Persons and unincorporated businesses	Non-financial corporations	Bank of Canada	Chartered banks	Quasi- banks ²	Life insurance companies and pension funds	Public and other financial institutions ³	All levels of government ⁴	Total ⁵
					(%)				
1976	53.65	0.82	18.96	13.43	2.01	4.20	5.31	1.62	100.00
1977	51.78	0.48	20.33	12.11	2.36	5.66	5.45	1.83	100.00
1978	50.74	0.47	19.32	10.03	3.08	7.97	5.64	2.75	100.00
1979	46.56	0.44	19.39	7.22	3.37	13.47	5.32	4.24	100.00
1980	43.02	0.50	19.93	4.73	4.07	16.66	5.92	5.17	100.00
1981	50.62	0.24	18.23	2.20	3.29	15.63	4.93	4.86	100.00
1982	53.34	0.44	16.81	1.56	2.51	15.46	5.41	4.49	100.00
1983	51.92	0.40	15.91	2.49	2.65	16.99	5.14	4.50	100.00
1984	52.25	0.50	13.40	2.12	2.05	19.77	5.33	4.58	100.00
1985	51.58	0.74	9.88	2.17	1.74	22.96	5.88	5.05	100.00
1986	46.03	1.16	8.72	2.19	2.15	26.23	6.91	6.60	100.00
1987	47.82	0.98	7.62	3.27	1.94	24.68	7.22	6.46	100.00
1988	47.35	0.87	7.60	4.20	1.34	24.83	7.06	6.75	100.00
1989	41.17	1.36	7.86	2.67	1.37	30.15	8.67	6.75	100.00
1990	34.49	0.82	7.71	5.05	1.17	32.62	10.08	8.05	100.00
1991	30.63	0.82	6.68	8.22	2.16	32.75	11.11	7.63	100.00
1992	25.84	1.66	5.42	11.26	1.89	32.89	13.24	7.81	100.00
1993	21.04	0.44	4.13	18.90	1.25	32.92	14.32	7.01	100.00
1994	17.92	1.80	3.01	20.14	1.58	32.60	15.66	7.28	100.00
1995	15.41	1.35	2.50	21.62	1.51	34.14	16.02	7.44	100.00
1996	15.12	0.73	3.37	21.73	2.31	32.46	16.41	7.86	100.00
1997	13.20	1.40	5.04	18.76	1.52	33.45	18.19	8.44	100.00
1998	11.82	0.85	6.30	18.20	1.56	34.88	17.37	9.02	100.00
1999	10.57	0.97	7.58	16.37	1.74	37.17	16.39	9.21	100.00
2000	9.33	0.84	8.58	18.91	0.78	36.86	15.55	9.14	100.00
2001	9.48	0.25	9.69	20.83	1.08	33.57	14.78	10.33	100.00
2002	8.77	0.99	10.70	18.56	1.02	33.31	16.29	10.35	100.00
2003	7.98	1.00	11.18	16.10	1.07	33.49	17.28	11.91	100.00

Note: Because of timing and valuation differences, The National Balance Sheet Accounts data contained in this table are not necessarily on the same basis as other data elsewhere in this publication (most of the data in this report are on a par-value basis—that is, outstanding securities are valued at par). For this reason, although the two sets of data yield very similar information, the data in this table are not strictly comparable with other data in this publication.

¹ Includes bonds denominated in foreign currencies.

² Includes Quebec savings banks, credit unions and caisses populaires, trust companies and mortgage loan companies.

³ Includes investment dealers, mutual funds, property and casualty insurance companies, sales, finance and consumer loan companies, accident and sickness branches of life insurance companies, other private financial institutions (not elsewhere included), federal public financial institutions, and provincial financial institutions.

⁴ Includes Government of Canada holdings of its own debt, provincial, municipal and hospital holdings, and holdings of the Canada Pension Plan and the Quebec Pension Plan.

⁵ May not add due to rounding.

Source: Statistics Canada, *The National Balance Sheet Accounts*.

Reference Table V
Non-Resident (Direct) Holdings of Government of Canada Debt

As at March 31	Marketable bonds ¹	Treasury bills and Canada bills (C\$ billions)	Total	Total as per cent of total market debt ² (%)
1979	5.0	0.9	5.9	
1980	5.6	0.7	6.3	
1981	6.8	1.1	7.9	
1982	8.8	1.1	9.9	
1983	10.0	1.6	11.6	
1984	10.3	2.6	12.9	
1985	14.5	4.6	19.1	
1986	22.1	3.0	25.1	12.4
1987	30.3	4.7	35.0	15.2
1988	33.0	9.3	42.3	16.8
1989	41.3	15.7	57.0	20.5
1990	49.9	13.3	63.2	21.4
1991	57.6	16.1	73.7	22.7
1992	63.6	23.0	86.6	24.5
1993	80.1	28.3	108.4	28.2
1994	79.3	34.0	113.3	27.3
1995	73.7	39.2	112.9	25.5
1996	84.1	37.7	121.8	25.8
1997	91.8	27.7	119.4	24.9
1998	94.3	20.0	114.3	24.4
1999	86.6	19.4	106.0	22.9
2000	85.7	14.2	99.9	21.8
2001	83.5	10.5	94.0	20.9
2002	74.0	7.4	81.4	18.3
2003	80.7	8.5	89.2	20.2
2004	57.0	9.2	66.2	15.0

Note: Numbers may not add due to rounding.

¹ Includes bonds denominated in foreign currencies.

² Includes capital lease obligations. For the 1979-1985 period, market debt data (includes capital leases) is unavailable.

Source: Statistics Canada, *Canada's International Transactions in Securities*.

Reference Table VI
Fiscal 2003-04 Treasury Bill Program

Settlement date	Maturing				New issues				Net increment			Average tender yields					
	CMB ¹	3 mo	6 mo	12 mo	Total	CMB ¹	3 mo	6 mo	12 mo	Total	Cumulative	O/S ²	CMB ¹	3 mo	6 mo	12 mo	
									(\$ millions)						(%)		
10-Apr-2003	4,000	3,800	3,800		11,600	4,100	1,700	1,700	7,500	-4,100	100,500			3.19	3.36	3.62	
24-Apr-2003		4,100		3,800	7,900	4,700	1,900	1,900	8,500	600	-3,500	101,100		3.24	3.36	3.55	
8-May-2003		4,700	3,900		8,600	4,700	1,900	1,900	8,500	-100	-3,600	101,000		3.22	3.35	3.55	
22-May-2003		4,100		3,800	7,900	3,000	5,000	2,000	2,000	12,000	4,100	500	105,100	3.22	3.20	3.43	
29-May-2003					0	2,000				2,000	2,000	2,500	107,100	3.19			
5-Jun-2003	3,000	4,700	3,500		11,200	5,000	2,000	2,000	9,000	-2,200	300	104,900		3.15	3.19	3.17	
19-Jun-2003		4,700		3,700	8,400	5,000	2,000	2,000	9,000	600	900	105,500		3.13	3.08	2.97	
26-Jun-2003					0	2,000				2,000	2,000	2,900	107,500	3.08			
3-Jul-2003	2,000	4,700	3,300		10,000	5,000	2,000	2,000	9,000	-1,000	1,900	106,500		3.08	3.04	2.99	
17-Jul-2003		4,100		3,700	7,800	5,300	2,100	2,100	9,500	1,700	3,600	108,200		2.87	2.89	2.89	
29-Jul-2003					0	1,000				1,000	1,000	4,600	109,200	2.95			
31-Jul-2003		4,700	3,600		8,300	5,300	2,100	2,100	9,500	1,200	5,800	110,400		2.81	2.72	2.69	
5-Aug-2003	1,000				1,000					0	-1,000	4,800	109,400				
14-Aug-2003	2,000	4,700		3,600	10,300		5,300	2,100	2,100	9,500	-800	4,000	108,600		2.82	2.78	2.84
21-Aug-2003					0	3,000				3,000	3,000	7,000	111,600	2.79			
28-Aug-2003		5,000	3,800		8,800	2,000	5,300	2,100	2,100	11,500	2,700	9,700	114,300	2.91	2.70	2.74	2.85
4-Sep-2003	2,000				2,000					0	-2,000	7,700	112,300				
11-Sep-2003		5,000		3,600	8,600		5,000	2,000	2,000	9,000	400	8,100	112,700		2.65	2.68	2.80
25-Sep-2003	3,000	5,000	3,600		11,600	1,500	5,300	2,100	2,100	11,000	-600	7,500	112,100		2.69	2.59	2.67
2-Oct-2003	1,500				1,500					0	-1,500	6,000	110,600				
9-Oct-2003		5,000		3,800	8,800		5,000	2,000	2,000	9,000	200	6,200	110,800		2.59	2.62	2.68
23-Oct-2003		5,300	3,800		9,100		5,300	2,100	2,100	9,500	400	6,600	111,200		2.65	2.70	2.83
29-Oct-2003					0	500				500	500	7,100	111,700	2.63			

Reference Table VI (cont'd)
Fiscal 2003-04 Treasury Bill Program

Settlement date	Maturing				New issues				Net increment			Average tender yields					
	CMB ¹	3 mo	6 mo	12 mo	Total	CMB ¹	3 mo	6 mo	12 mo	Total	Cumulative	O/S ²	CMB ¹	3 mo	6 mo	12 mo	
																(%)	
6 Nov-2003	500	5,300		3,900	9,700		5,600	2,200	2,200	10,000	300	7,400	112,000		2.66	2.67	2.81
20-Nov-2003		5,300	4,000		9,300	3,000	5,900	2,300	2,300	13,500	4,200	11,600	116,200	2.73	2.71	2.77	2.93
26-Nov-2003					0	2,000				2,000	2,000	13,600	118,200	2.68			
27-Nov-2003					0	1,250				1,250	1,250	14,850	119,450	2.69			
4-Dec-2003	1,250	5,300		3,500	10,050		5,300	2,100	2,100	9,500	-550	14,300	118,900		2.68	2.71	2.86
18-Dec-2003	3,000	5,000	4,000		12,000	1,500	5,000	2,000	2,000	10,500	-1,500	12,800	117,400	2.69	2.64	2.63	2.68
30-Dec-2003		5,300		3,300	8,600		4,400	1,800	1,800	8,000	-600	12,200	116,800		2.59	2.59	2.63
5-Jan-2004	1,500				1,500					0	-1,500	10,700	115,300				
7-Jan-2004	2,000				2,000					0	-2,000	8,700	113,300				
15-Jan-2004		5,000	4,200		9,200		3,800	1,600	1,600	7,000	-2,200	6,500	111,100		2.47	2.47	2.50
28-Jan-2004					0	1,000				1,000	1,000	7,500	112,100	2.44			
29 Jan-2004		5,300		3,600	8,900		3,800	1,600	1,600	7,000	-1,900	5,600	110,200		2.26	2.26	2.25
2-Feb-2004	1,000				1,000					0	-1,000	4,600	109,200				
12-Feb-2004		5,600	4,200		9,800		4,400	1,800	1,800	8,000	-1,800	2,800	107,400		2.23	2.23	2.25
26-Feb-2004		5,900		3,800	9,700		5,000	2,000	2,000	9,000	-700	2,100	106,700		2.13	2.14	2.17
11-Mar-2004		5,300	4,100		9,400		5,600	2,200	2,200	10,000	600	2,700	107,300		2.10	2.10	2.11
18-Mar-2004					0	1,200				1,200	1,200	3,900	108,500	2.16			
25-Mar-2004		5,000		3,600	8,600	2,500	5,600	2,200	2,200	12,500	3,900	7,800	112,400	2.16	1.99	1.98	2.01
29-Mar-2004					0	1,000				1,000	1,000	8,800	113,400	2.22			
total	27,750	127,900	49,800	47,700	253,150	28,450	129,700	51,900	51,900	261,950	8,800						

¹ Cash management bill.

² Outstanding.

Source: Bank of Canada.

Reference Table VII

Fiscal 2003-04 Treasury Bill Auction Results

Auction date	Term (months)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Bid coverage	Tail (basis points)	Auction date	Term (months)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Bid coverage	Tail (basis points)
8-Apr-2003	12	1,700	96.641	3.625	2,344	0.4	7-Oct-2003	3	5,000	99.308	2.595	2,291	0.2
8-Apr-2003	3	4,100	99.151	3.190	2,292	0.5	7-Oct-2003	6	2,000	98.710	2.620	2,076	0.5
8-Apr-2003	6	1,700	98.478	3.358	2,187	0.5	21-Oct-2003	12	2,100	97.355	2.833	2,079	0.6
22-Apr-2003	12	1,900	96.577	3.554	1,958	0.6	21-Oct-2003	3	5,300	99.293	2.651	2,049	0.6
22-Apr-2003	3	4,700	99.137	3.241	2,242	0.5	21-Oct-2003	6	2,100	98.773	2.699	2,128	0.5
22-Apr-2003	6	1,900	98.350	3.365	1,986	0.5	28-Oct-2003	C	500	99.942	2.634	1,718	1.6
6-May-2003	12	1,900	96.710	3.548	1,987	0.6	4-Nov-2003	12	2,200	97.272	2.812	2,258	0.3
6-May-2003	3	4,700	99.143	3.218	2,285	0.2	4-Nov-2003	3	5,600	99.290	2.665	1,839	0.7
6-May-2003	6	1,900	98.481	3.352	2,462	0.2	4-Nov-2003	6	2,200	98.685	2.673	1,893	0.3
20-May-2003	12	2,000	96.692	3.431	2,051	0.4	18-Nov-2003	12	2,300	97.264	2.933	1,826	1.7
20-May-2003	3	5,000	99.149	3.197	2,177	0.5	18-Nov-2003	3	5,900	99.277	2.714	1,994	0.5
20-May-2003	6	2,000	98.374	3.315	2,175	1.0	18-Nov-2003	6	2,300	98.740	2.773	1,885	1.1
21-May-2003	C ¹	3,000	99.877	3.221	1,841	1.9	19-Nov-2003	C	3,000	99.791	2.726	1,946	0.7
28-May-2003	C	2,000	99.695	3.191	2,168	0.9	25-Nov-2003	C	2,000	99.693	2.680	2,107	0.9
3-Jun-2003	12	2,000	97.052	3.168	2,006	0.2	26-Nov-2003	C	1,250	99.948	2.687	1,821	1.3
3-Jun-2003	3	5,000	99.160	3.155	1,947	0.5	2-Dec-2003	12	2,100	97.229	2.858	2,222	0.7
3-Jun-2003	6	2,000	98.553	3.189	2,355	0.3	2-Dec-2003	3	5,300	99.285	2.681	2,015	0.6
17-Jun-2003	12	2,000	97.124	2.969	1,924	0.6	2-Dec-2003	6	2,100	98.667	2.710	2,180	0.5
17-Jun-2003	3	5,000	99.167	3.127	2,260	0.3	16-Dec-2003	12	2,000	97.492	2.683	2,148	1.2
17-Jun-2003	6	2,000	98.489	3.077	2,254	0.5	16-Dec-2003	3	5,000	99.296	2.641	2,484	0.3
25-Jun-2003	C	2,000	99.589	3.076	2,304	0.4	16-Dec-2003	6	2,000	98.806	2.626	2,267	0.4
2-Jul-2003	12	2,000	97.210	2.993	1,689	0.7	17-Dec-2003	C	1,500	99.868	2.688	1,921	0.6
2-Jul-2003	3	5,000	99.181	3.077	2,181	0.4	29-Dec-2003	12	1,800	97.429	2.632	2,024	0.7
2-Jul-2003	6	2,000	98.618	3.044	2,153	0.4	29-Dec-2003	3	4,400	99.295	2.590	2,028	0.7
15-Jul-2003	12	2,100	97.195	2.894	2,013	2.1	29-Dec-2003	6	1,800	98.721	2.585	2,224	0.7
15-Jul-2003	3	5,300	99.236	2.869	2,217	1.0	13-Jan-2004	12	1,600	97.661	2.498	2,398	0.4
15-Jul-2003	6	2,100	98.581	2.887	2,460	0.3	13-Jan-2004	3	3,800	99.341	2.472	2,238	0.3
28-Jul-2003	C	1,000	99.943	2.949	2,128	3.1	13-Jan-2004	6	1,600	98.883	2.468	2,376	0.2
29-Jul-2003	12	2,100	97.485	2.690	2,025	0.8	27-Jan-2004	12	1,600	97.806	2.249	2,460	0.4
29-Jul-2003	3	5,300	99.252	2.808	1,963	0.7	27-Jan-2004	3	3,800	99.397	2.260	2,502	0.4
29-Jul-2003	6	2,100	98.766	2.715	2,080	0.7	27-Jan-2004	6	1,600	98.887	2.258	2,475	0.4
12-Aug-2003	12	2,100	97.246	2.840	1,992	0.6	28-Jan-2004	C	1,000	99.967	2.443	1,778	0.6
12-Aug-2003	3	5,300	99.249	2.819	2,126	0.6	10-Feb-2004	12	1,800	97.892	2.246	2,446	0.9
12-Aug-2003	6	2,100	98.633	2.779	2,048	0.3	10-Feb-2004	3	4,400	99.404	2.233	2,329	0.3
21-Aug-2003	C	3,000	99.733	2.794	2,009	0.6	10-Feb-2004	6	1,800	98.982	2.234	2,509	0.3
26-Aug-2003	12	2,100	97.337	2.853	2,120	0.7	24-Feb-2004	12	2,000	97.880	2.172	2,348	0.3
26-Aug-2003	3	5,300	99.280	2.700	2,030	0.4	24-Feb-2004	3	5,000	99.431	2.133	2,063	0.4
26-Aug-2003	6	2,100	98.754	2.741	2,519	0.3	24-Feb-2004	6	2,000	98.943	2.142	2,068	0.6
28-Aug-2003	C	2,000	99.944	2.914	1,818	3.6	9-Mar-2004	12	2,200	98.017	2.110	1,737	0.8
9-Sep-2003	12	2,000	97.279	2.805	2,116	0.5	9-Mar-2004	3	5,600	99.439	2.100	2,124	0.4
9-Sep-2003	3	5,000	99.292	2.654	2,379	0.3	9-Mar-2004	6	2,200	99.043	2.099	2,303	0.4
9-Sep-2003	6	2,000	98.679	2.684	2,060	0.6	18-Mar-2004	C	1,200	99.917	2.158	2,130	1.9
23-Sep-2003	12	2,100	97.503	2.671	2,269	0.6	23-Mar-2004	12	2,200	98.039	2.006	2,325	0.4
23-Sep-2003	3	5,300	99.322	2.597	2,042	0.6	23-Mar-2004	3	5,600	99.474	1.990	2,181	0.3
23-Sep-2003	6	2,100	98.821	2.592	2,204	0.4	23-Mar-2004	6	2,200	99.024	1.976	2,259	0.2
24-Sep-2003	C	1,500	99.948	2.689	2,027	1.1	25-Mar-2004	C	2,500	99.917	2.158	1,588	2.2
7-Oct-2003	12	2,000	97.401	2.676	2,080	0.4	29-Mar-2004	C	1,000	99.982	2.222	1,805	3.3
Total									261,950				

Note: Coverage is defined as the ratio of total bids at auction to the amount auctioned. Tail is defined as the high accepted yield minus the average yield.

¹ Cash management bill.

Source: Bank of Canada.

Reference Table VIII
Fiscal 2003-04 Canadian-Dollar Marketable Bond Program

Offering date	Delivery date	Maturity date	Maturing	Gross	Bond repurchase	Net
(\$ millions)						
Fixed-coupon bonds						
2003						
April 9	2003	June 1, 2033		300	293	7
April 24	April 14	September 1, 2008		400	410	-10
May 7	April 29	June 1, 2013		2,400	154	2,246
May 14	May 12	June 1, 2005		400	319	81
	May 16	*	7,097			-7,097
	June 2	September 1, 2008			500	1,800
May 28	June 2	December 1, 2005		2,300	700	2,000
June 11	June 13	June 1, 2013		2,700	418	182
June 19	June 25	June 1, 2033		600	301	1,299
July 9	July 14	September 1, 2008		1,600	441	-41
July 16	July 21	September 1, 2005		400	185	115
July 30	August 1	December 1, 2005		300	81	2,319
August 6	August 11	June 1, 2013		2,400		1
August 20	August 25	June 1, 2033		300	299	-7,480
	September 2	*	7,480			1,800
August 27	September 2	September 1, 2008		2,300	500	2,253
September 17	September 19	December 1, 2005		2,500	247	136
September 25	September 30	June 1, 2013		600	464	-452
	October 1	*	452			8
October 8	October 14	September 1, 2008		400	392	2,036
October 15	October 20	June 1, 2014		2,400	364	11
November 5	November 10	June 1, 2033		210	199	-8,358
	December 1	*	8,358			1,700
November 26	December 1	September 1, 2009		2,300	600	-81
December 10	December 15	June 1, 2014		407	488	3,086
December 17	December 19	June 1, 2006		3,500	414	
2004						
January 14	2004	June 1, 2033		1,500	105	1,395
January 21	January 19	September 1, 2009		400	473	-73
	January 26	*	929			-929
	February 2				354	1,946
February 4,	February 9	June 1, 2014		2,300	100	38
February 11	February 13	June 1, 2006		138	155	2,045
February 18	February 23	September 1, 2009		2,200	289	11
February 25	March 1	June 1, 2033		300	696	2,804
March 10	March 12	June 1, 2006		3,500	221	140
March 17	March 22	June 1, 2014		361		

Reference Table VIII (cont'd)
Fiscal 2003-04 Canadian-Dollar Marketable Bond Program

Offering date	Delivery date	Maturity date	Maturing	Gross	Bond repurchase	Net
Real return bonds						
2003	2003					
June 4	June 9	December 1, 2036		400		400
September 10	September 15	December 1, 2036		300		300
December 3	December 8	December 1, 2036		400		400
2004	2004					
March 3	March 8	December 1, 2036		300		300
Total fiscal year 2003-04			24,317	40,816	10,162	6,337

(\$ millions)

* Maturing date.

Source: Bank of Canada.

Reference Table IX
Fiscal 2003-04 Marketable Bond Auction Results

Auction date	Term (years)	Maturity date	Coupon rate (%)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Auction coverage	Tail (basis points)
7-May-2003	10	1-Jun-2013	5.25	2,400	102,558	4.924	2.52	0.4
28-May-2003	5	1-Sep-2008	4.25	2,300	101,243	3.984	2.60	0.6
4-Jun-2003	30	1-Dec-2036	3.00*	400	101,810	2.915	2.91	
11-Jun-2003	2	1-Dec-2005	3.00	2,700	99,913	3.037	2.47	0.8
9-Jul-2003	30	1-Jun-2033	5.75	1,600	107,715	5.236	2.56	0.7
6-Aug-2003	10	1-Jun-2013	5.25	2,400	101,912	5.000	2.47	0.4
27-Aug-2003	5	1-Sep-2008	4.25	2,300	100,044	4.240	2.63	0.5
10-Sep-2003	30	1-Dec-2036	3.00*	300	98,239	3.085	2.69	
17-Sep-2003	2	1-Dec-2005	3.00	2,500	99,612	3.183	2.60	0.3
15-Oct-2003	10	1-Jun-2014	5.00	2,400	99,615	5.048	2.36	0.5
26-Nov-2003	5	1-Sep-2009	4.25	2,300	99,607	4.329	2.59	0.6
3-Dec-2003	30	1-Dec-2036	3.00*	400	101,793	2.915	2.72	
17-Dec-2003	2	1-Jun-2006	3.00	3,500	99,522	3.205	2.52	0.7
14-Jan-2004	30	1-Jun-2033	5.75	1,500	109,623	5.113	2.68	0.1
4-Feb-2004	10	1-Jun-2014	5.00	2,300	102,900	4.642	2.55	0.7
18-Feb-2004	5	1-Sep-2009	4.25	2,200	102,272	3.790	2.64	0.3
3-Mar-2004	30	1-Dec-2036	3.00*	300	111,177	2.498	3.09	
10-Mar-2004	2	1-Jun-2006	3.00	3,500	101,152	2.463	2.35	0.2
Total				35,300				

Note: Coverage is defined as the ratio of total bids at auction to the amount auctioned. Tail is defined as the high accepted yield minus the average yield.

* Real return bonds.

Source: Department of Finance.

Reference Table X

Outstanding Government of Canada Canadian-Dollar Marketable Bonds as at March 31, 2004

Maturity date	Amount (\$ millions)	Coupon rate (%)	Maturity date	Amount (\$ millions)	Coupon rate (%)
Fixed-coupon bonds					
01-Jun-04	1,703	3.50	01-Oct-08	401	11.75
01-Jun-04	7,770	6.50	01-Mar-09	149	11.50
01-Jun-04	541	13.50	01-Jun-09	9,145	5.50
01-Sep-04	8,886	5.00	01-Jun-09	641	11.00
01-Oct-04	274	10.50	01-Sep-09	4,900	4.25
01-Dec-04	5,300	4.25	01-Oct-09	266	10.75
01-Dec-04	7,559	9.00	01-Mar-10	83	9.75
01-Mar-05	496	12.00	01-Jun-10	9,745	5.50
01-Jun-05	7,800	3.50	01-Jun-10	2,444	9.50
01-Sep-05	10,327	6.00	01-Oct-10	132	8.75
01-Sep-05	1,037	12.25	01-Mar-11	632	9.00
01-Dec-05	5,500	3.00	01-Jun-11	14,450	6.00
01-Dec-05	6,373	8.75	01-Jun-11	642	8.50
01-Mar-06	267	12.50	01-Jun-12	11,600	5.25
01-Jun-06	7,138	3.00	01-Jun-13	12,000	5.25
01-Sep-06	9,625	5.75	01-Jun-14	1,700	10.25
01-Oct-06	770	14.00	01-Jun-14	5,468	5.00
01-Dec-06	5,867	7.00	01-Jun-15	483	11.25
01-Mar-07	196	13.75	15-Mar-21	1,106	10.50
01-Jun-07	7,710	7.25	01-Jun-21	1,241	9.75
01-Sep-07	10,400	4.50	01-Jun-22	625	9.25
01-Oct-07	475	13.00	01-Jun-23	7,872	8.00
01-Mar-08	581	12.75	01-Jun-25	8,485	9.00
01-Jun-08	6,845	6.00	01-Jun-27	8,976	8.00
01-Jun-08	3,061	10.00	01-Jun-29	13,900	5.75
01-Sep-08	11,400	4.25	01-Jun-33	13,410	5.75
			Total	258,397	

Reference Table X (cont'd)
Outstanding Government of Canada Canadian-Dollar Marketable Bonds as at March 31, 2004

Maturity date	Amount (\$ millions)	Coupon rate (%)
Real return bonds		
01-Dec-2021	5,175	4.25
01-Dec-2026	5,250	4.25
01-Dec-2031	5,800	4.00
01-Dec-2036	1,400	3.00
Total	17,625	

Source: Bank of Canada.

Reference Table XI
Government of Canada Swaps Outstanding as at March 31, 2004

Domestic interest-rate swaps			Cross-currency swaps of foreign obligations	
Maturity date	Coupon ¹ (%)	Notional amount (\$ millions)	Maturity date	Notional amount (US\$ millions)
Total		0		
Foreign interest-rate swaps				
Maturity date	Coupon ¹ (%)	Notional amount (US\$ millions)		
19-Nov-2007	4.00	25	26-Nov-2004	495
05-Nov-2008	5.25	200	26-Nov-2004	341
05-Nov-2008	5.25	500	30-Nov-2004	63
05-Nov-2008	5.25	500	30-Nov-2004	25
Total		1,225	22-Dec-2004	76
			03-Oct-2007	319
			31-Jan-2008	44
			Total	1,363

¹ Refers to the coupon of the underlying bond that was swapped.

Reference Table XI (cont'd)
Government of Canada Swaps Outstanding as at March 31, 2004

Cross-currency swaps of domestic obligations			Cross-currency swaps of domestic obligations		
Maturity date	Notional amount (US\$ millions)	Currency paid	Maturity date	Notional amount (US\$ millions)	Currency paid
01-Jun-04	92.00	EUR	01-Sep-05	62.00	EUR
01-Jun-04	62.00	EUR	01-Sep-05	92.00	EUR
01-Jun-04	62.00	EUR	01-Sep-05	92.00	EUR
01-Jun-04	92.00	EUR	01-Sep-05	92.00	EUR
01-Jun-04	62.00	EUR	01-Sep-05	92.00	EUR
01-Jun-04	62.00	EUR	01-Sep-05	92.00	EUR
01-Jun-04	62.00	EUR	01-Sep-05	100.00	USD
01-Jun-04	62.00	EUR	23-Nov-05	150.00	USD
01-Jun-04	62.00	EUR	01-Dec-05	62.00	EUR
01-Jun-04	62.00	EUR	01-Dec-05	62.00	EUR
01-Jun-04	100.00	USD	01-Dec-05	62.00	EUR
01-Jun-04	50.00	USD	01-Dec-05	62.00	EUR
01-Jun-04	100.00	USD	01-Dec-05	62.00	EUR
01-Jun-04	50.00	USD	01-Dec-05	92.00	EUR
01-Jun-04	50.00	USD	01-Dec-05	62.00	EUR
01-Sep-04	62.00	EUR	01-Dec-05	62.00	EUR
01-Sep-04	69.00	EUR	01-Dec-05	62.00	EUR
01-Sep-04	62.00	EUR	01-Dec-05	62.00	EUR
01-Sep-04	62.00	EUR	01-Dec-05	62.00	EUR
01-Oct-04	62.00	EUR	01-Dec-05	62.00	EUR
01-Oct-04	50.00	USD	01-Dec-05	62.00	EUR
01-Oct-04	75.00	USD	01-Dec-05	62.00	EUR
01-Oct-04	111.00	USD	01-Dec-05	62.00	EUR
01-Oct-04	55.00	USD	01-Dec-05	62.00	EUR
23-Nov-04	100.00	USD	01-Dec-05	62.00	EUR
01-Dec-04	62.00	EUR	01-Dec-05	92.00	EUR
01-Dec-04	92.00	EUR	01-Dec-05	82.00	EUR
01-Mar-05	62.00	EUR	01-Dec-05	50.00	USD
01-Mar-05	250.00	USD	01-Dec-05	50.00	USD
01-Mar-05	65.00	USD	01-Dec-05	50.00	USD
01-Mar-05	250.00	USD	01-Dec-05	54.00	USD
01-Sep-05	62.00	EUR	01-Dec-05	500.00	USD
01-Sep-05	62.00	EUR	01-Mar-06	62.00	EUR
01-Sep-05	37.00	EUR	01-Mar-06	92.00	EUR
01-Sep-05	37.00	EUR	01-Mar-06	92.00	EUR

Reference Table XI (cont'd)
Government of Canada Swaps Outstanding as at March 31, 2004

Cross-currency swaps of domestic obligations			Cross-currency swaps of domestic obligations		
Maturity date	Notional amount (US\$ millions)	Currency paid	Maturity date	Notional amount (US\$ millions)	Currency paid
01-Mar-06	92.00	EUR	01-Mar-08	50.00	USD
01-Mar-06	62.00	EUR	01-Jun-08	62.00	EUR
01-Mar-06	62.00	EUR	01-Jun-08	62.00	EUR
01-Mar-06	50.00	USD	01-Jun-08	62.00	EUR
01-Mar-06	54.00	USD	01-Jun-08	62.00	EUR
01-Sep-06	62.00	EUR	01-Jun-08	250.00	USD
01-Oct-06	62.00	EUR	01-Jun-08	100.00	USD
01-Oct-06	50.00	USD	01-Jun-08	100.00	USD
01-Oct-06	50.00	USD	01-Jun-08	100.00	USD
30-Oct-06	250.00	USD	01-Jun-08	50.00	USD
11-Nov-06	150.00	USD	01-Jun-08	100.00	USD
01-Dec-06	62.00	EUR	01-Jun-08	50.00	USD
01-Dec-06	62.00	EUR	01-Jun-08	50.00	USD
01-Dec-06	92.00	EUR	30-Sep-08	50.00	USD
01-Dec-06	92.00	EUR	01-Oct-08	92.00	EUR
01-Dec-06	55.00	USD	01-Oct-08	92.00	EUR
01-Mar-07	31.00	EUR	01-Oct-08	62.00	EUR
01-Jun-07	62.00	EUR	01-Oct-08	62.00	EUR
01-Jun-07	62.00	EUR	01-Oct-08	70.00	USD
01-Jun-07	123.00	EUR	01-Oct-08	70.00	USD
01-Jun-07	62.00	EUR	01-Oct-08	50.00	USD
01-Jun-07	250.00	USD	01-Mar-09	92.00	EUR
01-Jun-07	250.00	USD	01-Mar-09	62.00	EUR
01-Jun-07	250.00	USD	01-Mar-09	70.00	USD
01-Oct-07	62.00	EUR	01-Mar-09	65.00	USD
01-Oct-07	62.00	EUR	01-Mar-09	50.00	USD
01-Oct-07	62.00	EUR	01-Mar-09	75.00	USD
01-Oct-07	31.00	EUR	01-Mar-09	50.00	USD
01-Mar-08	92.00	EUR	01-Mar-09	50.00	USD
01-Mar-08	62.00	EUR	01-Mar-09	100.00	USD
01-Mar-08	75.00	USD	01-Mar-09	75.00	USD
01-Mar-08	100.00	USD	01-Jun-09	62.00	EUR
01-Mar-08	50.00	USD	01-Jun-09	92.00	EUR
01-Mar-08	200.00	USD	01-Jun-09	62.00	EUR
01-Mar-08	50.00	USD	01-Jun-09	92.00	EUR

Reference Table XI (cont'd)
Government of Canada Swaps Outstanding as at March 31, 2004

Cross-currency swaps of domestic obligations			Cross-currency swaps of domestic obligations		
Maturity date	Notional amount (US\$ millions)	Currency paid	Maturity date	Notional amount (US\$ millions)	Currency paid
01-Mar-11	75.00	USD	01-Jun-11	50.00	USD
01-Mar-11	75.00	USD	01-Jun-11	50.00	USD
01-Mar-11	50.00	USD	01-Jun-12	62.00	EUR
01-Mar-11	50.00	USD	01-Jun-12	62.00	EUR
01-Jun-11	62.00	EUR	01-Jun-12	50.00	USD
01-Jun-11	62.00	EUR	01-Jun-12	50.00	USD
01-Jun-11	92.00	EUR	01-Jun-12	50.00	USD
01-Jun-11	75.00	USD	01-Jun-12	50.00	USD
01-Jun-11	50.00	USD	01-Jun-12	50.00	USD
01-Jun-11	50.00	USD	01-Jun-12	50.00	USD
01-Jun-11	50.00	USD	01-Jun-13	25.00	USD
01-Jun-11	50.00	USD	01-Jun-13	25.00	USD
01-Jun-11	50.00	USD	Total	17,405.00	

Note: Numbers may not add due to rounding.

Source: Department of Finance.

Reference Table XII
Bond Buyback Program—Operations in 2003-04

Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)	Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)
Buyback on cash basis							
May 7, 2003	March 1, 2011	9.00	30	August 6, 2003	March 15, 2014	10.25	38
	March 15, 2014	10.25	11		March 15, 2021	10.50	35
	March 15, 2021	10.50	53		June 1, 2021	9.75	8
	June 1, 2021	9.75	27		Total		81
	June 1, 2022	9.25	34	August 27, 2003	June 1, 2007	7.25	228
May 28, 2003	Total		154		June 1, 2008	6.00	265
	June 1, 2007	7.25	80		October 1, 2008	11.75	7
	October 1, 2007	13.00	4		Total		500
	June 1, 2008	6.00	381	September 17, 2003	December 1, 2006	7.00	112
June 11, 2003	October 1, 2008	11.75	3		June 1, 2007	7.25	135
	March 1, 2009	11.50	7		Total		247
	June 1, 2009	5.50	15	October 15, 2003	March 1, 2010	9.75	4
	October 1, 2009	10.75	10		June 1, 2010	5.50	200
	Total		500		June 1, 2011	6.00	25
July 9, 2003	March 1, 2005	12.00	1		June 1, 2011	8.50	3
	September 1, 2005	6.00	276	November 26, 2003	March 15, 2014	10.25	27
	September 1, 2005	12.25	4		June 1, 2015	11.25	27
	March 1, 2006	12.50	2		March 15, 2021	10.50	13
	December 1, 2006	7.00	392		June 1, 2021	9.75	65
July 9, 2003	June 1, 2007	7.25	25		Total		364
	Total		700	July 9, 2003	June 1, 2008	6.00	162
	March 15, 2021	10.50	10		October 1, 2008	11.75	3
	June 1, 2021	9.75	114		March 1, 2009	11.50	1
	June 1, 2022	9.25	50		June 1, 2009	5.50	145
July 9, 2003	June 1, 2023	8.00	44		June 1, 2009	11.00	22
	June 1, 2025	9.00	24		October 1, 2009	10.75	1
	June 1, 2027	8.00	60		June 1, 2010	5.50	250
	Total		301		June 1, 2010	9.50	16
					Total		600

Reference Table XII (cont'd)
Bond Buyback Program—Operations in 2003–04

Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)	Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)
December 17, 2003	September 1, 2005	6.00	147	March 10, 2004	March 1, 2006	12.50	8
	September 1, 2006	5.75	150		September 1, 2006	5.75	225
	October 1, 2006		14.00		March 1, 2007	13.75	1
	June 1, 2007	7.25	50		June 1, 2007	7.25	200
	October 1, 2007	13.00	5		March 1, 2008	12.75	4
	June 1, 2008	6.00	50		June 1, 2008	6.00	216
	June 1, 2008	10.00	11		June 1, 2008	10.00	43
	Total		414		Total		696
January 14, 2004	March 15, 2021	10.50	2	Buyback on switch basis April 9, 2003	Grand Total		5,170
	June 1, 2021	9.75	1		March 15, 2021	10.50	2
	June 1, 2022	9.25	2		June 1, 2021	9.75	181
	June 1, 2023	8.00	25		June 1, 2022	9.25	71
	June 1, 2025	9.00	5		June 1, 2023	8.00	1
	June 1, 2027	8.00	70		June 1, 2025	9.00	31
	Total		105		June 1, 2027	8.00	7
February 4, 2004	March 1, 2011	9.00	2	April 24, 2003	Total		293
	June 1, 2011	6.00	50		December 1, 2006	7.00	25
	March 15, 2014	10.25	31		March 1, 2007	13.75	8
	June 1, 2015	11.25	21		June 1, 2007	7.25	149
	June 1, 2021	9.75	239		March 1, 2008	12.75	8
	June 1, 2022	9.25	10		June 1, 2008	6.00	165
	Total		354		June 1, 2008	10.00	7
February 18, 2004	March 1, 2008	12.75	2	May 14, 2003	March 1, 2009	11.50	36
	June 1, 2008	6.00	25		October 1, 2009	10.75	12
	June 1, 2008	10.00	32		Total		410
	March 1, 2009	11.50	3		September 1, 2005	6.00	120
	June 1, 2009	5.50	75		September 1, 2005	12.25	24
	June 1, 2009	11.00	6		December 1, 2005	8.75	175
	March 1, 2010	9.75	2		Total		319
	June 1, 2010	5.50	10				
	Total		155				

Reference Table XII (cont'd)
Bond Buyback Program—Operations in 2003-04

Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)	Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)
June 19, 2003	March 1, 2011	9.00	14	November 5, 2003	March 15, 2021	10.50	6
	March 15, 2014	10.25	148		June 1, 2021	9.75	31
	June 1, 2015	11.25	256		June 1, 2022	9.25	27
	Total		418		June 1, 2025	9.00	135
					Total		199
July 16, 2003	December 1, 2006	7.00	125	December 10, 2003	June 1, 2011	6.00	450
	June 1, 2007	7.25	50		June 1, 2011	8.50	20
	June 1, 2008	6.00	265		June 1, 2015	11.25	12
	October 1, 2009	10.75	1		June 1, 2021	9.75	4
	Total		441		June 1, 2022	9.25	2
July 30, 2003	December 1, 2006	7.00	75	January 21, 2004	Total		488
	June 1, 2007	7.25	110		June 1, 2007	7.25	4
	Total		185		June 1, 2008	6.00	419
August 20, 2003	March 15, 2021	10.50	75	February 11, 2004	June 1, 2008	10.00	50
	June 1, 2021	9.75	28		Total		473
	June 1, 2022	9.25	25		September 1, 2005	6.00	50
	June 1, 2023	8.00	113		June 1, 2008	10.00	50
	June 1, 2025	9.00	58		Total		100
September 25, 2003	Total		299	February 25, 2004	June 1, 2021	9.75	64
	June 1, 2010	5.50	100		June 1, 2022	9.25	15
	June 1, 2010	9.50	12		June 1, 2027	8.00	210
	March 1, 2011	9.00	6		Total		289
	March 15, 2014	10.25	153	March 17, 2004	June 1, 2010	5.50	25
October 8, 2003	June 1, 2015	11.25	166		June 1, 2011	6.00	25
	June 1, 2022	9.25	27		June 1, 2011	8.50	4
	Total		464		March 15, 2014	10.25	10
	June 1, 2007	7.25	65		March 15, 2021	10.50	70
	March 1, 2008	12.75	30	June 1, 2021	June 1, 2021	9.75	77
October 8, 2003	June 1, 2008	6.00	237		June 1, 2022	9.25	11
	June 1, 2008	10.00	4		Total		221
	March 1, 2009	11.50	50	Grand Total			
	October 1, 2009	10.75	6				4,993
	Total		392				

Reference Table XII (cont'd)
Bond Buyback Program—Operations in 2003–04

Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)	Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)
Cash management bond buyback							
April 8, 2003	June 1, 2003	7.25	450	July 29, 2003	December 1, 2003	5.00	1,000
	September 1, 2003	5.25	100		Total		1,000
	Total		550		September 1, 2003	5.25	100
April 22, 2003	June 1, 2003	7.25	69	August 12, 2003	December 1, 2003	5.00	900
	September 1, 2003	5.25	100		Total		1,000
	December 1, 2003	5.00	101		December 1, 2003	5.00	210
	December 1, 2003	7.50	230		December 1, 2003	7.50	35
	Total		500		June 1, 2004	3.50	150
May 6, 2003	June 1, 2003	5.75	9	September 9, 2003	Total		395
	June 1, 2003	7.25	3		September 23, 2003	5.00	205
	December 1, 2003	5.00	457		December 1, 2003	7.50	215
	December 1, 2003	7.50	31		Total		420
	Total		500		December 1, 2003	5.00	50
June 3, 2003	December 1, 2003	5.00	300	October 7, 2003	Total		50
	June 1, 2004	3.50	136		October 21, 2003	3.50	550
	June 1, 2004	6.50	64		September 1, 2004	5.00	450
	Total		500		Total		1,000
	December 1, 2003	5.00	500	November 4, 2003	December 1, 2003	5.00	315
June 17, 2003	Total		500		December 1, 2003	7.50	105
	December 1, 2003	5.00	1,000		June 1, 2004	3.50	15
	Total		1,000		June 1, 2004	6.50	24
July 2, 2003	September 1, 2003	5.25	450		Total		459
	December 1, 2003	5.00	475	December 2, 2003	June 1, 2004	3.50	500
	June 1, 2004	3.50	50		September 1, 2004	5.00	350
	June 1, 2004	6.50	25		December 1, 2004	9.00	80
	Total		1,000		Total		930

Reference Table XII (cont'd)
Bond Buyback Program—Operations in 2003-04

Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)	Buyback date	Maturity date	Coupon	Repurchased amount
December 16, 2003	June 1, 2004	3.50	1,000	February 24, 2004	June 1, 2004	3.50	12
	Total		1,000		September 1, 2004	5.00	228
					December 1, 2004	4.25	700
January 13, 2004	June 1, 2004	3.50	200	March 9, 2004	December 1, 2004	9.00	39
	Total		200		Total		979
January 27, 2004	June 1, 2004	3.50	1,198		June 1, 2004	3.50	50
	June 1, 2004	6.50	2	March 23, 2004	September 1, 2004	5.00	300
	Total		1,200		December 1, 2004	4.25	500
February 10, 2004	June 1, 2004	3.50	937		Total		850
	June 1, 2004	6.50	14	June 1, 2004	June 1, 2004	3.50	500
	September 1, 2004	5.00	163		Total		500
	December 1, 2004	9.00	22		Grand Total		15,669
	Total		1,136				

Source: Department of Finance.

Reference Table XIII
Canada Savings Bonds and Canada Premium Bonds, Fiscal 1983-84 to Fiscal 2003-04

Fiscal year	Gross sales	Net change (\$ millions)	Outstanding at fiscal year end
1983-84	11,584	5,650	38,403
1984-85	12,743	3,764	42,167
1985-86	15,107	2,440	44,607
1986-87	9,191	-22	44,585
1987-88	17,450	8,921	53,506
1988-89	14,962	-5,456	48,050
1989-90	9,338	-6,813	41,237
1990-91	6,720	-6,500	34,737
1991-92	9,588	1,151	35,888
1992-93	9,235	-1,172	34,716
1993-94	5,364	-3,089	31,627
1994-95	7,506	-96	31,531
1995-96	4,612	10	31,541
1996-97	5,747	2,050	33,591
1997-98	4,951	-2,796	30,795
1998-99	4,844	-2,187	28,608
1999-00	2,669	-1,510	27,098
2000-01	3,188	-531	26,567
2001-02	2,728	-2,283	24,284
2002-03	3,523	-1,406	22,878
2003-04	2,881	-1,350	21,528

Note: Figures are in accordance with Bank of Canada audited reports, which may vary from Public Accounts reports due to differences in classification.

Source: Bank of Canada.

Reference Table XIV
Crown Corporation Borrowings as at March 31, 2004

Borrowings from the market Corporation	1997	1998	1999	2000	2001	2002	2003	2004
				(\$ millions)				
Export Development Canada	7,820	10,077	12,967	16,888	18,406	20,481	20,375	17,178
Canadian Wheat Board ¹	6,474	6,698	6,786	542	425	397	378	12
Business Development Bank of Canada	3,371	3,839	4,223	4,723	5,102	5,726	6,263	7,302
Farm Credit Canada	1,926	3,026	4,317	5,083	5,695	7,096	8,082	9,209
Canada Mortgage and Housing Corporation	7,866	9,934	10,633	10,801	11,672	11,372	11,091	10,441
Petro-Canada Ltd.	432	443	471	338	0	0	0	0
Canada Ports Corporation	0	3	79	69	0	0	0	0
Canada Post Corporation	n/a	n/a	n/a	150	56	63	114	108
Other	226	258	222	46	44	40	39	45
Total	28,115	34,278	39,698	38,640	41,400	45,175	46,342	44,295

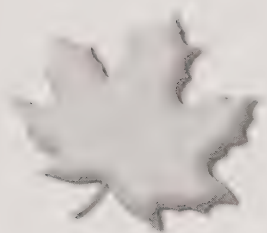
¹ Effective December 31, 1998, the Canadian Wheat Board (CWB) ceased to be an agent of Her Majesty and a Crown corporation under the Financial Administration Act. Borrowings subsequent to this date at March 31, 2004, as a non-agent are \$6,140 million. Therefore, total borrowings of the CWB are \$6,152 million (\$12 million + \$6,140 million).

Borrowings from the Consolidated Revenue Fund	1997	1998	1999	2000	2001	2002	2003	2004
				(\$ millions)				
Canada Mortgage and Housing Corporation	6,938	6,708	6,298	6,152	5,852	5,696	5,476	5,255
Canada Deposit Insurance Corporation	855	395	0	0	0	0	0	0
Farm Credit Canada	2,507	1,877	1,041	805	578	0	0	0
Other	204	179	551	77	84	104	38	62
Total	10,504	9,159	7,890	7,034	6,514	5,800	5,514	5,317

Note: Figures do not include "allowance for valuation."

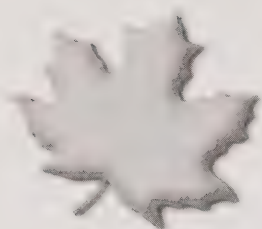
Source: Bank of Canada.

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DEBT MANAGEMENT REPORT

2004-2005



DEBT MANAGEMENT REPORT

2004-2005



Department of Finance
Canada

Ministère des Finances
Canada



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Foreword by the Minister of Finance

I am pleased to table the Government of Canada's *Debt Management Report* for fiscal year 2004–05. It provides a full accounting of how Canada's debt is managed.

Thanks to eight consecutive budget surpluses since the Government balanced its books in 1997–98, we have been able to reduce the federal debt by some \$63 billion. These debt reduction efforts have freed up an additional \$3 billion, on an annual basis, to deal with the priorities of Canadians in areas such as health care, education, improving our infrastructure and promoting a cleaner and greener environment.

This is a clear example of prudence with a purpose. Furthermore, our debt-to-GDP (gross domestic product) ratio has declined from 68.4 per cent in 1995–96 to 38.7 per cent in 2004–05. This represents the lowest debt-to-GDP ratio since 1983–84, and we remain on track to meet the Government's target of achieving a debt-to-GDP ratio of 25 per cent within 10 years.

The Government's improved financial position has ushered in an era of federal debt management where the key challenge is to maintain a liquid and efficient government securities market in the face of declining borrowing requirements. This year's *Debt Management Report* highlights ongoing efforts to meet this challenge and to improve the management of our debt. Examples of initiatives taken over the past year include:

- Reducing the time frame in which operational results are made public.
This reduction has helped lower market risk for participants and improved the efficiency of the auction process.
- Conducting a review of the distribution framework for government debt to ensure its continued effectiveness in supporting broad participation and a competitive well-functioning market for Government of Canada securities.
This, in turn, helps the Government raise stable, low-cost funding.

Through effective management of our debt and a sustained commitment to fiscal responsibility and prudence, our government continues to do everything it can to ensure that Canada's economy remains strong and prosperous, both now and in the years to come.

The Honourable Ralph Goodale, P.C., M.P.
Minister of Finance
Ottawa, November 2005

Purpose of This Publication

The *Debt Management Report* provides a detailed account of the Government of Canada's borrowing, cash and foreign exchange reserves management operations over fiscal year April 1, 2004 to March 31, 2005.

It provides a comprehensive report on the environment in which the debt is managed, its composition and changes during the year, and performance against the strategic plan set out in the 2004–05 *Debt Management Strategy*, published in March 2004. A set of reference tables containing statistics on the operation of debt programs is also provided.

The information contained in this report is designed for a range of interested parties and to ensure transparency and accountability in the Government's borrowing and cash management activities. The *Debt Management Strategy* and the *Debt Management Report* are tabled annually in Parliament and are available on the Department of Finance website at www.fin.gc.ca.

Federal Debt Management

Management of the federal debt involves two major activities: actively managing the portion of the debt that is borrowed in financial markets; and investing part of the proceeds of borrowing in liquid assets until needed by the Government. As of March 31, 2005, the Government had \$435.5 billion of market debt composed of marketable bonds, treasury bills, retail debt, foreign currency debt, Canada Pension Plan (CPP) bonds and obligations related to capital leases, and \$59.5 billion of liquid financial assets composed of domestic cash balances and foreign exchange assets.

(C\$ billions)

Market Debt

Payable in Canadian currency

Marketable bonds (fixed-rate bonds with 2-, 5-, 10- and 30-year maturities and Real Return Bonds with 30-year maturities)	266.6
---------------------------------------------------------------------------------------------------------------------------------	-------

Treasury bills (zero-coupon securities with 3-, 6- and 12-month maturities)	127.2
--------------------------------------------------------------------------------	-------

Retail debt (Canada Savings Bonds and Canada Premium Bonds)	19.1
----------------------------------------------------------------	------

CPP bonds	3.4
-----------	-----

Obligations related to capital leases	2.9
---------------------------------------	-----

Payable in foreign currency

Marketable bonds and foreign currency notes (fixed-rate bonds, Canada notes and Euro Medium-Term Notes)	12.4
------------------------------------------------------------------------------------------------------------	------

Canada bills (zero-coupon securities with 1- to 9-month maturities)	3.9
------------------------------------------------------------------------	-----

Liquid Financial Assets

Cash	20.6
------	------

Foreign exchange reserves	38.9
---------------------------	------

This document is structured as follows:

- Part I describes the fiscal environment in which the debt is managed and the composition of market debt.
- Part II reports on performance against the 2004–05 debt strategy by major theme: risk/cost, liquidity, participation and frameworks.
- Part III provides details on activity in the individual domestic and foreign debt programs during 2004–05.
- Annex 1 explains the composition of the federal debt, Annex 2 contains a glossary of debt management terms and Annex 3 contains contact information.
- Reference tables provide historical information on the debt-related activities of the Government.

Overview

In 2004–05 the Government continued to reduce its level of indebtedness. On a full accrual basis of accounting the federal debt was reduced to \$499.9 billion, down \$63 billion from its peak in 1996–97. The federal debt fell \$1.6 billion in 2004–05. With a budgetary surplus of \$1.6 billion and a net source from non-budgetary transactions of \$3.2 billion, there was a financial source of \$4.8 billion in 2004–05. With this financial source, the Government retired \$4.8 billion of its market debt and increased its cash balances by \$49 million. Debt-servicing charges were down \$1.7 billion from fiscal year 2003–04 as a result of a 30-basis-point reduction in the average interest rate paid on the public debt. The reduction in the debt since 1996–97 has resulted in savings of over \$3 billion annually. Lower debt-servicing charges benefit all Canadians.

Debt, cash and reserve management actions in 2004–05 continued the process begun in 2003–04 of reducing the fixed-rate share of the debt from a target of two-thirds to 60 per cent by 2007–08, with resulting adjustments to the sizes of the treasury bill and bond programs. The fixed-rate share fell from 63.8 per cent to 63.1 per cent over the course of the year. The stock of treasury bills and cash management bills increased by \$13.8 billion to \$127 billion, while the stock of nominal bonds declined by \$13.9 billion to \$244 billion.

An important initiative undertaken in 2004–05 was the reduction in the time in which auction and operational results are made public (turnaround time). On April 1, 2004, the Government reduced the turnaround time for auctions and operations in which bonds are repurchased from fixed times (10 and 15 minutes respectively) to a “best efforts basis” (i.e. when ready). Since the change, turnaround times have averaged less than 3 minutes for auctions and less than 7 minutes for buybacks. The reduction in turnaround time has helped reduce market risk for auction participants and has improved the efficiency of the auction process.

One of the key challenges for the Government in recent years has been to maintain a liquid, well-functioning government securities market in the face of declining borrowing requirements and reduced bond issuance. The Government has an interest in sustaining a liquid and efficient market for Government of Canada securities for the purpose of providing stable low-cost funding. A liquid and efficient government securities market also provides key pricing and hedging tools for market participants, thereby contributing to the effective functioning of the broader Canadian fixed-income market.

While liquidity remained at high levels in 2004–05, consultations with market participants suggest that the sizes of nominal bond auctions, particularly in the 10- and 30-year maturities, and benchmark bond sizes, may be approaching their lower limit. The Government may need to adjust the structure of the bond program in the near future to ensure continued liquidity in the government securities market. Accordingly, in 2005–06, it plans to assess potential structural changes to the bond program and to further consult with market participants on the topic.

As part of good governance and management, different aspects of the debt program are reviewed periodically. These reviews are conducted internally at the Department of Finance and Bank of Canada or by external specialists. In 2004–05 a review of the debt distribution framework was conducted.

This report also features indicators that are intended to provide interested parties with an understanding of some of the key measures that debt managers follow with respect to debt management programs and well-functioning securities markets.

Governance

Part IV of the Financial Administration Act empowers the Minister of Finance to borrow money on behalf of Her Majesty in right of Canada. The Minister is authorized to issue securities and do any other thing related to the borrowing of money that the Minister considers appropriate. Section 49 of the act requires the Minister to table in the House of Commons, within 45 sitting days after the tabling of the *Public Accounts of Canada*, a report on the activities of the Minister in relation to the management of the public debt.

Responsibility for strategic planning and the operational management of the public debt is jointly borne by officials at the Department of Finance and the Bank of Canada. The Bank of Canada acts as fiscal agent for the Minister of Finance in issuing debt and conducting other debt market operations.

The oversight of activity is carried out through the Funds Management Committee (FMC), which comprises senior management from the Department of Finance and the Bank of Canada. The FMC advises the Minister of Finance on policy and strategy, oversees the implementation of approved policy and plans, and reviews performance outcomes.

The FMC is supported by a Risk Committee (RC), whose mandate is to oversee and advise on the risk management policy and to report to the FMC on financial risk positions and exposures. The Financial Risk Office at the Bank of Canada provides analytical support to the RC in this role and is responsible for monitoring and regularly reporting on the financial performance and position of the public debt, including market, credit, operational, liquidity and legal risks.

Debt Strategy Framework

Purpose

Raise stable, low-cost funding for the Government of Canada.

Principles and Objectives¹

Well-functioning market

- Emphasize transparency, liquidity and regularity in the design and implementation of domestic debt programs in order to maintain a well-functioning domestic government securities market.
- Work with market participants and regulators to enhance the integrity and attractiveness to investors of the market for Government of Canada securities.

Cost-effectiveness

- Manage the structure of the debt by balancing cost and risk to help protect the Government's fiscal position from unexpected increases in interest rates.

Prudence

- Raise funding for domestic operational needs in Canadian dollars.
- Manage the Receiver General cash position to ensure that cash balances are maintained at reasonable cost to the Government and that credit risks are controlled through diversification.
- Borrow using a variety of instruments, a range of maturities and a diversified investor base.

Consultations

- Seek input from market participants on major adjustments to federal debt management policy and programs.

Best practices

Ensure that the operational framework and practices are in line with the best practices of other comparable sovereign borrowers and the private sector.

¹ For information on the management of foreign reserve assets, see the 2004 *Report on the Management of Canada's Official International Reserves* at www.fin.gc.ca/toce/2005/oir05_e.html.

Part I: Debt Management Context

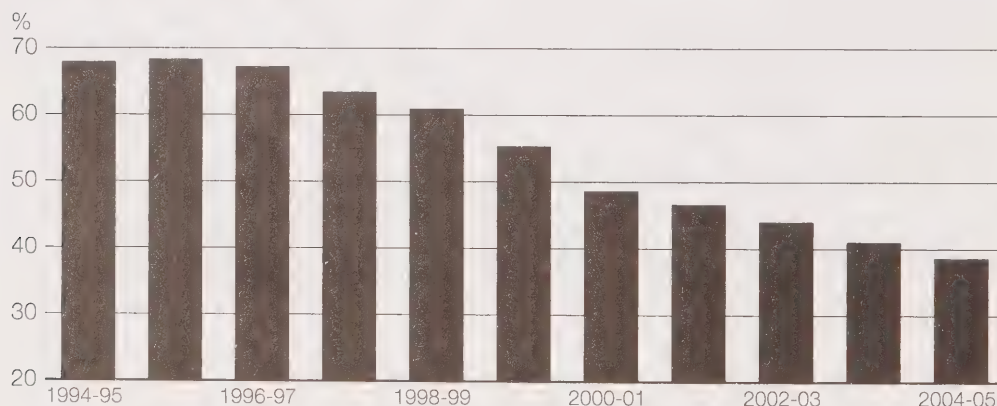
Since the annual debt-servicing cost is the largest single budget expense of the Government, effective management of the federal debt is especially important for all Canadians. This section provides an overview of the Government's fiscal plan and the composition of the debt stock. The Government's fiscal position sets the context within which debt management decisions are taken. One of the key decisions of debt management relates to the composition of the debt stock, which directly affects debt costs.

The Fiscal Plan

Budgetary Outcome

The Government recorded a budgetary surplus of \$1.6 billion in 2004–05, its eighth consecutive budget surplus. The federal debt has been reduced by \$63 billion since its peak in 1996–97. The federal debt-to-GDP (gross domestic product) ratio has fallen 29.7 percentage points from its peak of 68.4 per cent in 1995–96 to 38.7 per cent in 2004–05 (see Chart 1), its lowest level since 1983–84. For detailed information, see the 2004–05 *Annual Financial Report of the Government of Canada* at www.fin.gc.ca/toce/2005/afr_e.html.

Chart 1
Federal Debt-to-GDP Ratio



Source: Department of Finance.

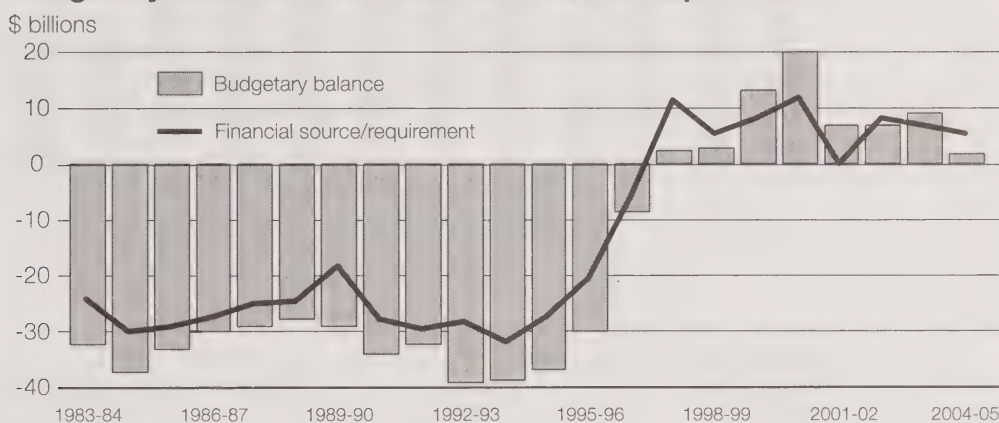
Financial Source/Requirement

The key budgetary measure for market debt management is the financial source/requirement. While the budgetary balance is presented on a full accrual basis, recognizing revenues and expenses when they are incurred, the financial source/requirement is a cash flow measurement that captures the current- and prior-year budgetary items, as well as the cash implications of non-budgetary transactions. As such, the financial source/requirement determines the changes in the market debt and in the level of financial assets.

The budgetary surplus of \$1.6 billion and a net source of funds from non-budgetary transactions of \$3.2 billion produced a financial source of \$4.8 billion in 2004–05 (see Chart 2). This compares to a financial source of \$6.2 billion in 2003–04, and a source of \$7.6 billion in 2002–03. The financial source in 2004–05 was used to reduce market debt by \$4.8 billion.

Chart 2

Budgetary Balance and Financial Source/Requirement



Sources: *Public Accounts of Canada* and Statistics Canada.

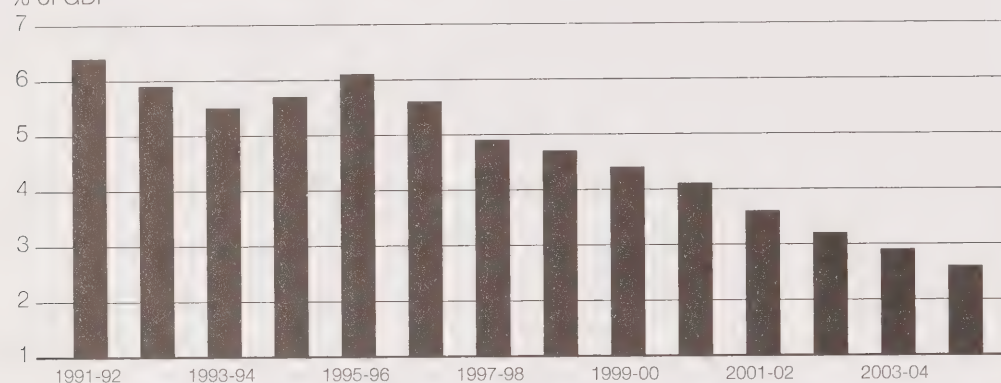
Public Debt Costs

In 2004–05 the Government spent 17.2 cents of every dollar of revenue to pay interest on the public debt, down from a peak of almost 39 cents in 1990–91. Public debt charges as a percentage of GDP declined to 2.6 per cent in 2004–05 from 2.9 per cent in 2003–04 (see Chart 3). In 2004–05 the average interest rate paid on the public debt declined by 30 basis points to 5.5 per cent from 5.8 per cent in 2003–04.

Chart 3

Public Debt Charges

% of GDP

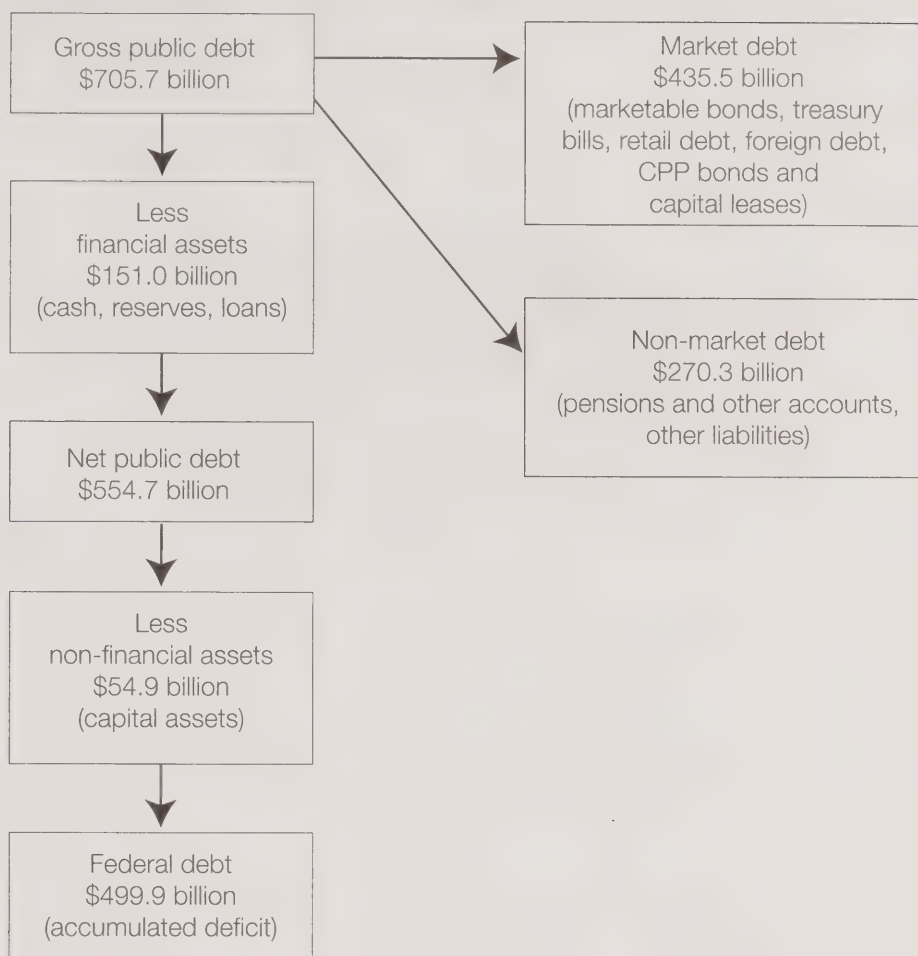


Source: *Public Accounts of Canada*.

Composition of the Federal Debt

The federal debt consists of the total liabilities of the Government of Canada (gross debt) minus financial and non-financial assets. Gross debt can be broken down into market debt and non-market debt. Market debt is funded in the capital markets and is actively managed by the Government. Non-market debt comprises liabilities held by the Government outside capital markets and includes the Government's obligations to public sector pension plans, the CPP, as well as other liabilities, accounts payable and accrued liabilities and allowances. The following diagram illustrates the relationships between the components of the federal debt, based on the 2004–05 fiscal year. See Annex 1 for a more detailed description of the composition of the federal debt.

Federal Debt as at March 31, 2005



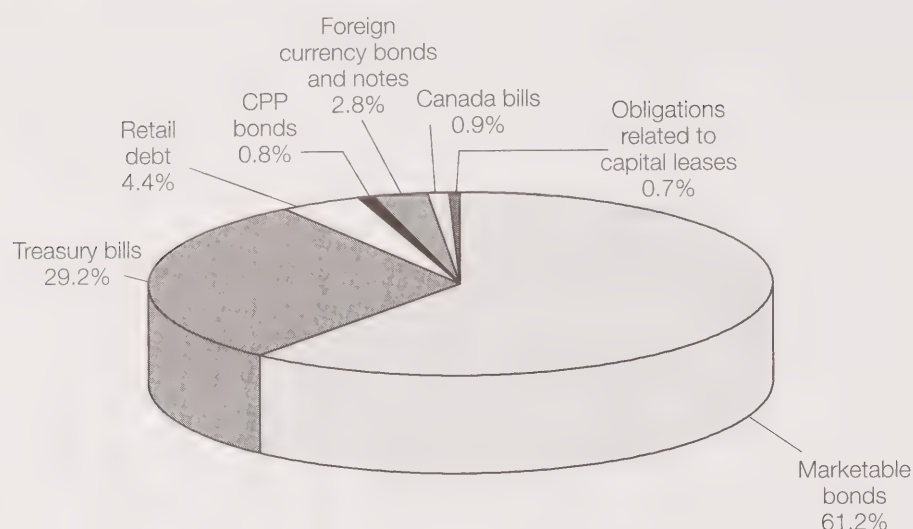
Note: Numbers may not add due to rounding.

Source: *Public Accounts of Canada*.

There are two types of market debt: domestic debt, which is denominated in Canadian dollars, and foreign currency debt (see Chart 4). The Government borrows in Canadian dollars using wholesale and retail funding. Wholesale funding is conducted through issuance of marketable securities, which include nominal bonds, Real Return Bonds and treasury bills. These securities are sold via auctions to Government of Canada securities distributors and end-investors. (The names of and details on the framework for government securities distributors and primary dealers can be found at www.bankofcanada.ca/en/auct.htm.) Retail funding is raised through sales of Canada Savings Bonds products to individuals who are Canadian residents.

See www.fin.gc.ca/invest/instru-e.html for a detailed description of the Government of Canada's market debt instruments.

Chart 4
Market Debt, March 31, 2005

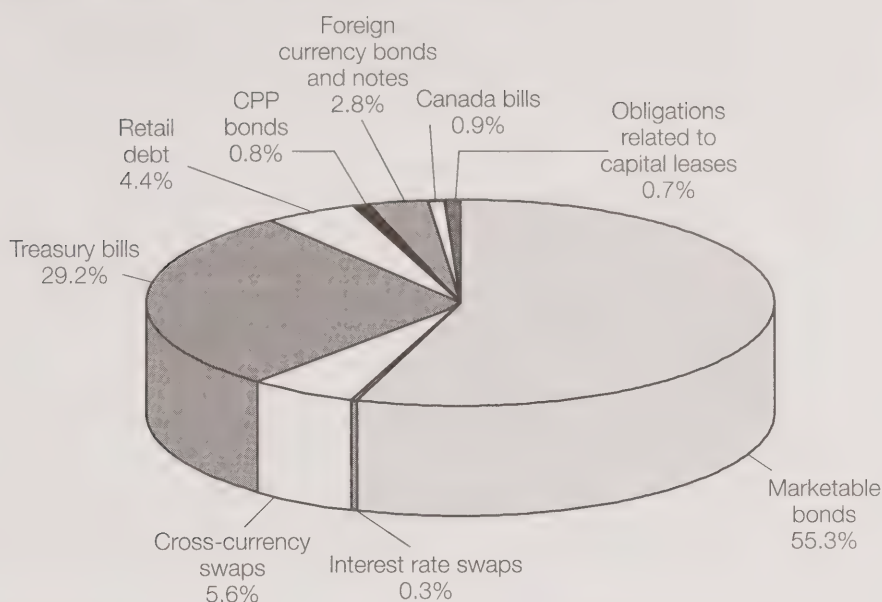


Sources: *Public Accounts of Canada* and *Annual Financial Report of the Government of Canada*.

Funds raised in Canadian dollars are used primarily to meet the Government's operational requirements. A portion of Canadian-dollar wholesale debt is swapped to foreign currencies to fund the Government's foreign exchange reserves. Chart 5 shows market debt taking into account swaps. The Government also borrows in foreign currencies to fund reserves, which are held in the Exchange Fund Account (EFA). The EFA provides a source of foreign currency liquidity and is used to promote orderly conditions in the foreign exchange market for the Canadian dollar.

Table 1 shows the change in the composition of federal market debt in 2004–05 by domestic and foreign debt programs. Further details on the changes in programs and indicators of debt management operations and activities can be found in Part III. Total domestic debt was reduced by \$0.7 billion while foreign currency debt declined by \$4.1 billion.

Chart 5

Market Debt (Post Swaps), March 31, 2005

Note: As at March 31, 2005, the total amount of interest rate (\$1.5 billion) and cross-currency (\$24.5 billion) swaps outstanding stood at \$26.0 billion. Cross-currency swaps convert C\$-denominated government debt into foreign currency obligations for the purpose of funding the foreign reserves portfolio.

Sources: *Public Accounts of Canada* and *Annual Financial Report of the Government of Canada*.

Table 1*Change in Composition of Federal Market Debt, 2004–05*

	April 1, 2004 Outstanding	March 31, 2005 Outstanding	Change
		(\$ billions)	
Domestic debt	413.5	412.8	-0.7
Foreign currency debt ¹	20.5	16.3	-4.2
CPP bonds and notes	3.4	3.4	0.0
Obligations related to capital leases	2.8	2.9	+0.1
Total market debt	440.2	435.5	-4.8

Note: Numbers may not add due to rounding.

¹ Liabilities are stated at par value at the March 31, 2005, exchange rate.

Source: *Public Accounts of Canada*.

Part II: Report on 2004–2005 Debt Strategy

The federal debt strategy covers the management of federal market debt and operational activities related to it, including the management of Canadian-dollar cash balances and the funding and investment of Canada's foreign exchange reserves. Annual debt strategy planning sets out the objectives for the year in each of these domains and provides for a series of initiatives.

A well-functioning wholesale market in Government of Canada securities benefits the Government as well as a wide range of market participants. For the Government as a debt issuer, a well-functioning market attracts investors and ensures that funding costs are kept low. For market participants, a liquid and active secondary market in government debt provides credit-risk-free assets for investment portfolios, a pricing benchmark for other debt issues and swaps, and a primary tool for hedging interest rate risk.

In 2004–05 a number of initiatives were undertaken to enhance the effectiveness of the Government of Canada's debt management. This document reports on these initiatives organized around four key themes: cost and risk; maintaining a well-functioning government securities market; encouraging participation in the government securities market; and framework reviews.

Cost and Risk

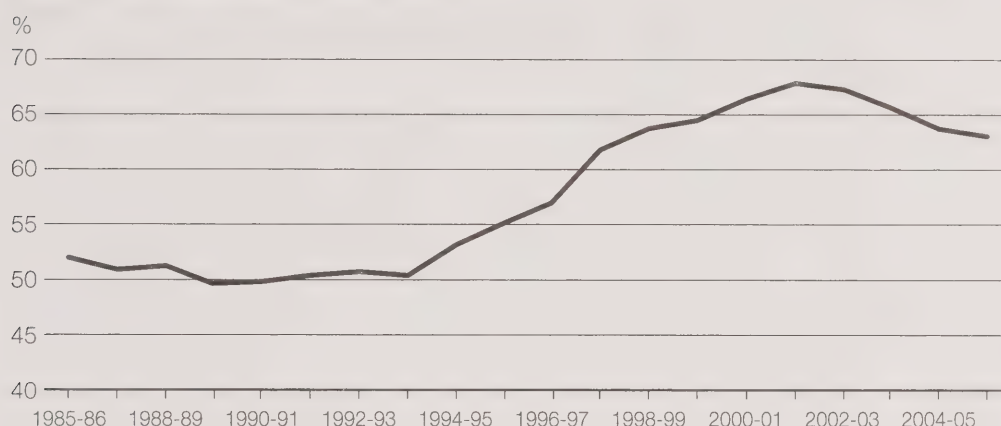
The Government's objective of maintaining stable, low-cost financing involves managing exposure to a range of financial risks. The key risk for the Government relates to changes in interest rates and their effect on domestic borrowing costs (interest rate risk). A lesser risk is the Government's credit exposure to financial institution counterparties with which it transacts (credit risk). This section provides an overview of the main considerations in balancing interest rate risk and cost.

Debt Structure

The Government has access to a variety of instruments to fund its debt, with standard maturities ranging from 3 months to 30 years. As does any other borrower in the financial markets, the Government generally faces a trade-off between cost and risk when selecting the instruments it issues. Borrowing costs of longer-term instruments tend to be higher, but are fixed for long periods. On the other hand, borrowing costs of shorter-term instruments tend to be lower on average, but more volatile. By choosing the proportion of each instrument it issues, the Government can establish a debt structure that strikes an appropriate balance between keeping costs stable and low.

The main operational target used to manage the debt structure is the fixed-rate share, which measures the proportion of interest-bearing debt having fixed rates—debt that does not mature or need to be repriced within one year—relative to total interest-bearing debt. The fixed-rate share incorporates both market and non-market debt. In the February 2003 budget, the Government announced its intention to reduce the fixed-rate share target from two-thirds to 60 per cent by 2007–08 (see Chart 6).

Chart 6
Fixed-Rate Share of the Debt



Source: Department of Finance.

The decision to lower the fixed-rate share is based on positive economic and fiscal developments in Canada in recent years. Financial simulation modelling indicates that a 60-per-cent fixed-rate share would result in lower borrowing costs under a large number of interest rate scenarios without compromising debt-cost stability.

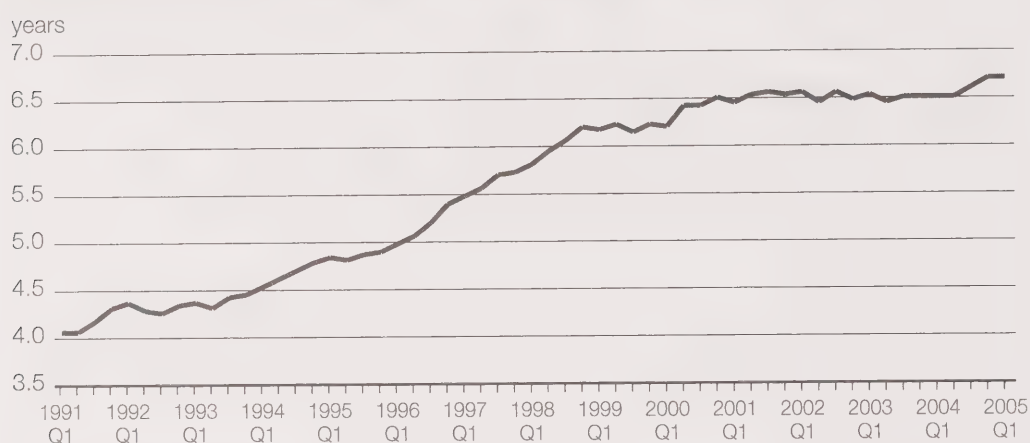
In 2004–05 the Government continued to reduce the fixed-rate share, with the share declining from 63.8 per cent to 63.1 per cent over the fiscal year. The change in debt structure will continue to be implemented gradually, in an orderly and transparent manner, over the next few years.

As a consequence of the adjustment in the fixed-rate share, the stock of outstanding treasury bills and cash management bills increased from \$113.4 billion to \$127.2 billion in 2004–05, while the stock of outstanding nominal bonds declined from \$258.2 billion to \$244.3 billion.

In addition to the fixed-rate share, the Government uses other indicators to track the exposure to interest rate risk inherent in the debt stock. The average term to maturity (ATM) represents the average length of time before debt instruments mature and become subject to refinancing risk. The ATM of marketable debt has stabilized at around 6 ½ years since 2000, after having increased from roughly 4 years in 1991 (see Chart 7). A longer ATM means that debt instruments are rolled over less frequently, which implies less uncertainty regarding future debt costs.

Chart 7

Average Term to Maturity of Marketable Debt



Source: Bank of Canada.

Maturity Profile

A related strategy to reduce the risk of higher borrowing costs is the maintenance of a stable maturity profile. A well-distributed maturity profile limits the need to refinance a large portion of the debt in any given period when borrowing conditions may be unfavourable.

The emphasis on the regularity of debt operations, including in particular regular cycles for new bond benchmarks, helps to maintain a stable maturity profile. As well, the cash management bond buyback (CMBB) program, through which benchmark bonds maturing within a year are repurchased before their maturity dates, helps stabilize the maturity profile within a given year and manage cash balances effectively around large maturity dates. By reducing the need to accumulate high cash balances leading up to large bond maturities, the CMBB program also smoothes out seasonal fluctuations in treasury bill issuance. Overall, through the CMBB program, large maturities were lowered by 21 per cent in 2004–05, reducing the Government's cost of holding high levels of cash balances for key coupon and maturity payment dates.

Risk Associated With Funding the Foreign Reserves

The Government borrows in foreign currencies to raise foreign exchange reserve assets for the Exchange Fund Account. These assets provide foreign currency liquidity and help promote orderly conditions for the Canadian dollar in the foreign exchange markets. Foreign exchange funding requirements in 2004–05 were met primarily through cross-currency swaps, which are particularly cost-effective compared to other funding sources.

Collateral management frameworks are used to manage the Government's credit risk to financial institution counterparties associated with cross-currency swaps. Under these frameworks, high-quality collateral (e.g. cash, securities) is placed with the Government when the Government's exposure to a counterparty exceeds specified limits.

Risk measures are reported on a monthly basis to management at the Department of Finance and the Bank of Canada.

Maintaining a Well-Functioning Market

The Government supports the maintenance of a liquid well-functioning market for its marketable securities in order to help maintain low funding costs. One way it achieves this goal is by building large liquid benchmark bonds and treasury bills in various maturity sectors on a regular, predictable basis. The use of multiple maturities attracts a wide array of investors, while regular and transparent issuance ensures that there is no uncertainty as to the Government's plans. Initiatives outlined in the 2004–05 *Debt Management Strategy* to promote liquidity in the Government of Canada securities market were:

Diversified and regular issuance: The Government continued its practice of issuing and building large liquid benchmarks in a variety of instruments and terms to maturity to target a diverse investor base. These instruments include four bond maturity sectors (quarterly 2-, 5- and 10-year auctions and semi-annual 30-year auctions); three treasury bill maturity sectors (3-, 6- and 12-month maturities with auctions every two weeks); a long-term inflation-indexed bond (quarterly issuance); and debt issued as part of the retail debt program. Regular issuance helps provide certainty for dealers and investors in their preparations for auctions.

Benchmark target sizes: The 2-, 5-, 10- and 30-year new building benchmark target sizes were unchanged from the previous year (2-year bonds: \$7 billion to \$10 billion; 5-year bonds: \$9 billion to \$12 billion; 10-year bonds: \$10 billion to \$14 billion; and 30-year bonds: \$12 billion to \$15 billion). All benchmarks built in 2004–05 were within their target range.

Regular buybacks: Against the backdrop of debt paydown in recent years, the Government has been using the regular bond buyback program on both a switch and cash basis to repurchase off-the-run bonds (i.e. securities that are no longer the current or the previous building benchmark), thereby helping to maintain gross bond issuance levels and maintain benchmark bond sizes. Unlike buybacks on a cash basis, where bonds offered are exchanged for cash, bonds repurchased on a switch basis are exchanged for the current building benchmark. (The regular bond buyback program differs from the cash management bond buyback program in that the former serves to maintain gross bond issuance, while the latter helps the Government manage its cash requirements effectively by reducing large bond maturities.)

The 2004–05 *Debt Management Strategy* outlined the Government's buyback target of approximately \$11 billion, similar to 2003–04. During the year the Government issued \$11.5 billion in new benchmark bonds through the repurchase of \$11.5 billion in off-the-run bonds. The basket of eligible bonds for buyback in the 10-year sector was successfully expanded in 2004–05 to help maintain buyback operations in that sector.

In 2004–05 the Government repurchased \$4.7 billion in bonds through the switch program (a decrease of \$0.3 billion from 2003–04), and \$6.8 billion through the cash buyback program (an increase of \$1.6 billion from 2003–04).

Participation

Active participation at auction and buyback operations of a diverse group of market participants also helps the Government to achieve its key objective of stable, low-cost funding. Over the past few years initiatives to enhance transparency and the bidding process have been undertaken to broaden participation. A key initiative undertaken in 2004–05 was the reduction in the time in which auction and buyback results are made public (turnaround time).

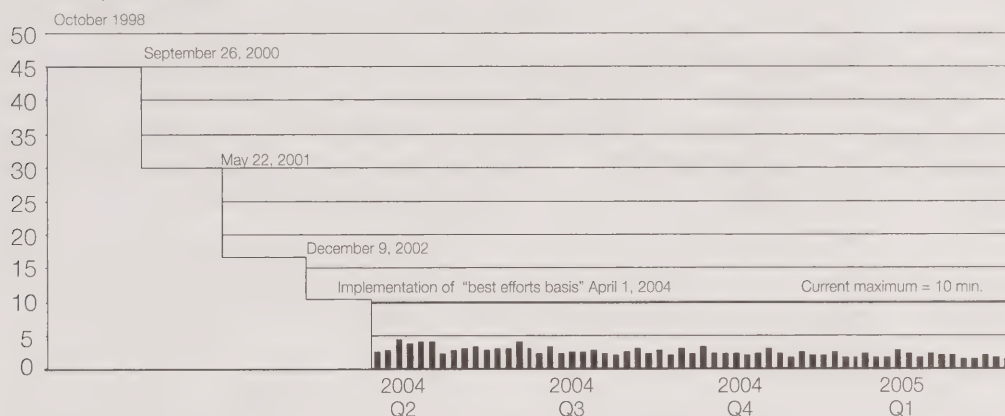
On April 1, 2004, the Government reduced the turnaround time for auctions and buyback operations from fixed times (10 and 15 minutes respectively) to a “best efforts basis” (i.e. when ready). Lower turnaround time has reduced the market risk for market participants, further enhancing the efficiency of the auction and buyback process. Market participants have indicated their satisfaction with these changes.

Charts 8 and 9 show the reduction in turnaround times in recent years, from 45 minutes at the end of 1998 to an average of less than 3 minutes for treasury bill and bond auctions and an average of less than 7 minutes for buyback operations in 2004–05.

Chart 8

Turnaround Times for the Release of the Results of Treasury Bill and Bond Auctions, 1998–2005

minutes past deadline

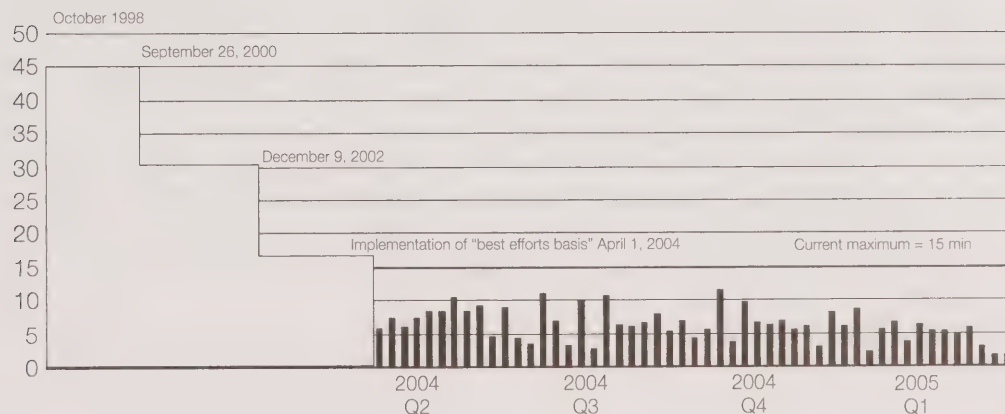


Source: Bank of Canada.

Chart 9

Turnaround Times for the Release of the Results of Buyback Operations, 1998–2005

minutes past deadline



Source: Bank of Canada.

Framework Reviews

The Government regularly assesses its treasury management policies and programs as part of good governance and management of the debt program. These reviews are conducted internally at the Department of Finance and Bank of Canada or by external specialists. In 2004–05 the Government conducted an internal review of the effectiveness of its debt distribution framework. An external study of the borrowing and governance framework of Crown corporations was also undertaken (available at www.fin.gc.ca/toce/2005/mfgbe-e.html).

Evaluation of the Debt Distribution Framework

The evaluation of the debt distribution framework for Government of Canada securities was launched in the fall of 2004 and included internal analysis by the Government and consultations with interested parties. A consultation document was posted in October 2004 on the Bank of Canada's website (www.bank-banque-canada.ca/en/notices_fmd/2004/not181004_review.html).

The purpose of the review was to assess the framework's effectiveness in raising stable, low-cost funding for the Government and supporting a well-functioning market for Government of Canada securities, and whether changes to the framework were warranted.

The review was considered timely given the evolution of the government securities market since the previous review of the framework in 1998: lower borrowing requirements of the federal government; greater concentration of auction participation and secondary market trading; interest by some investors in direct participation at auctions; and innovation in financial markets through, for example, the development of alternative trading systems.

Following the conclusion of the review, changes to the debt distribution framework were released in a document published in August 2005 on the Bank of Canada's website (www.bank-banque-canada.ca/en/notices_fmd/2005/not080805.html). The review found that the framework is generally working well, with auctions consistently covered and well bid. The Government identified changes to the framework to promote continued competition and participation in Government of Canada securities auctions. The changes fall into two broad areas: adjustments in auction access for dealers and customers, and changes to minimum bidding obligations of dealers. These changes are scheduled for implementation in early December 2005, following the update of the Terms of Participation and the Standard Terms for Government of Canada auctions.

Debt Strategy Plan and Summary of Actions Taken

The following summary reports on the 2004–05 debt strategy plan initiatives, their purpose and actions taken. All of the strategic objectives for the management of the Government's debt, cash and reserves were achieved over the course of the year.

	Plan	Purpose	Actions Taken
Cost and Risk	Continue to reduce the fixed-rate share of the debt towards the 60-per-cent target.	Achieve lower debt charges, while continuing to prudently mitigate the risk to the budget framework.	The fixed-rate share was reduced from 63.8 per cent to 63.1 per cent over the 2004–05 fiscal year.
	Increase the size of the treasury bill program from \$110 billion–\$115 billion in 2003–04 to approximately \$130 billion in 2004–05.	Facilitate market adjustment to changes in the bond and treasury bill programs.	The stock of outstanding treasury bills and cash management bills increased by \$13.8 billion to about \$127 billion.
	Issue roughly \$36 billion of nominal bonds in 2004–05, \$4 billion less than in 2003–04. Due to large bond maturities and continued cash management bond buyback operations, the bond stock was expected to decrease by some \$16 billion.		\$35.5 billion of bonds were issued. The stock of outstanding bonds declined by \$13.9 billion to about \$244 billion.
	Maintain a stable maturity profile.	Limit the need to refinance a large portion of debt in any given period and help maintain stability in debt programs over time.	Average term to maturity was maintained above 6.5 years. \$12.9 billion of bonds were repurchased through the cash management bond buyback program.
	Continue to use cross-currency swaps for the majority of foreign reserves funding.	Keep the cost of carrying reserve assets low.	Sixty-four cross-currency swaps were executed in 2004–05 totalling \$5.9 billion.

Debt Strategy Plan and Summary of Actions Taken (*cont'd*)

	Plan	Purpose	Actions Taken
Maintaining a Well-Functioning Market	Continue regular issues of marketable bonds in four maturity sectors, treasury bills in three maturity sectors and a long-dated index-linked bond.	Provide liquidity across investor segments, instruments and maturities, which contributes to managing both cost and risk.	Issuance schedule and maturities of past years were maintained in treasury bills, nominal bonds and Real Return Bonds.
	Maintain current benchmark target sizes for 2-, 5-, 10- and 30-year bonds.	Maintain a liquid market for on-the-run and building benchmark issues.	Benchmark bond target sizes were maintained.
	Continue regular bond buybacks at a planned level of about \$11 billion, as in 2003–04.	Help maintain bond auction sizes and support issuance of large liquid benchmarks.	A total of \$11.5 billion of bonds were bought back through the regular buyback program.
	Expand the basket of bonds eligible for 10-year cash and switch buybacks to include more long-dated maturities.	Promote liquidity by reaching target benchmark sizes within a one-year cycle.	Bonds with maturities up to June 2027 were included in the basket of eligible bonds for buyback operations in the 10-year sector.
Participation	Beginning April 1, 2004, reduce turnaround time for auctions and buybacks to a best efforts basis.	Enhance bidding and participation by reducing market participants' risk.	Turnaround times on a best efforts basis have averaged less than 3 minutes for auctions and less than 7 minutes for buybacks.
Framework Reviews	Review the debt distribution framework.	Assess the framework's effectiveness in raising stable, low-cost funding and supporting a well-functioning market for Government of Canada securities.	Changes to the Terms of Participation and Standard Terms for Government of Canada auctions were announced in August 2005 and are scheduled for implementation in early December 2005.

Part III: Programs and Indicators

Part III is divided into three main sections: the outcome of operations and activity with respect to the domestic debt programs; indicators of cash management performance; and measures of reserves funding and investment. It also provides information on the Government's investor base and reports on external evaluations of the debt program.

The indicators are intended to provide information on the key measures used by government debt managers. As outcomes in virtually all cases are the product of many factors, the measures do not reflect the impact of specific government debt management policies. However, they serve as useful guideposts in helping to understand the results and context of the Government's debt management initiatives.

Domestic Debt Programs

There are a number of measures of outcomes in the area of domestic debt management. They can be divided into two groups: those associated with the debt issuance process (the primary market) and those dealing with post-issuance trading (the secondary market).

Measures of a well-functioning securities market include the degree to which auctions in the primary market are well bid and the level of liquidity and trading in the secondary market. In 2004–05 the Government's treasury bill and bond auctions continued to be well bid. Primary dealers, a core group of government securities distributors that maintain a certain threshold of activity in the market for Government of Canada securities, play the dominant role at auctions except in the case of Real Return Bond auctions, where customers have won more than 40 per cent of the bonds on offer in recent years.

The secondary market for Government of Canada securities continues to experience healthy trading volumes and turnover ratios that compare favourably to those of other countries. Primary dealers also play a major role in secondary markets, with the top 10 participants accounting for about 98 per cent and 91 per cent of the turnover of treasury bills and bonds respectively. For more information on the framework through which the Government distributes its debt, see www.fin.gc.ca/dtman/2001-2002/dmr02_3e.html#Annex%201.

Primary Market

Program Activity

Nominal Bonds

Gross bond program issuance in 2004–05 was \$35.5 billion (including issuance through switch buybacks), lower than the \$39.4 billion in 2003–04 (see Table 2). Gross issuance consisted of \$12.0 billion in 2-year bonds, \$9.6 billion in 5-year bonds, \$10.6 billion in 10-year bonds and \$3.3 billion in 30-year bonds (see Reference Table IX for more information on bond auctions). In 2004–05, \$32.5 billion of bonds matured. Taking into account buybacks and maturities, the stock of outstanding bonds declined by \$13.9 billion during the year to \$244.3 billion as at March 31, 2005.

Real Return Bonds (RRBs)

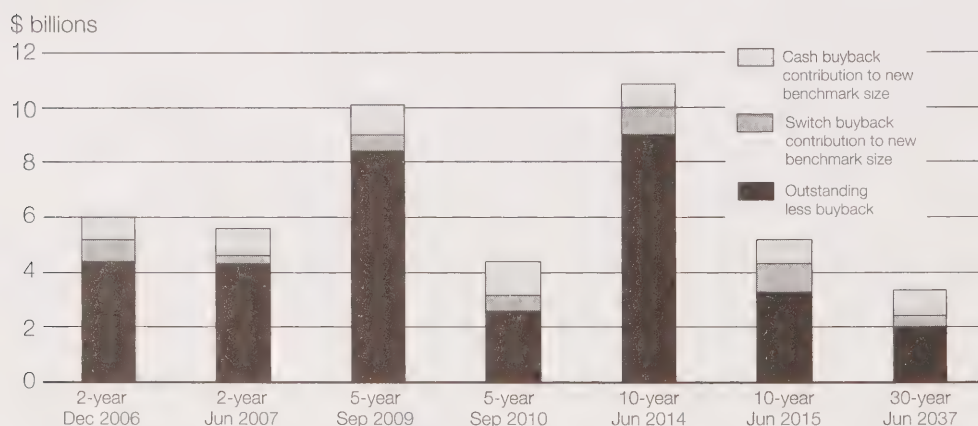
RRB issuance in 2004–05 was at a level similar to the previous year's issuance of \$1.4 billion, increasing the level of outstanding RRBs from \$20.6 billion (which includes the Consumer Price Index [CPI] adjustment) to \$22.4 billion as at March 31, 2005. In 2004–05 the Government issued its fourth RRB, one with a December 1, 2036, maturity (see Reference Table X for more information on RRB auctions).

Regular Bond Buyback Program

The objectives of the regular bond buyback program are to enhance liquidity and maintain active new issuance in the primary market for Government of Canada securities. Regular bond buyback operations totalled \$11.5 billion in 2004–05, consisting of \$6.2 billion in 2- and 5-year bonds, \$3.9 billion in 10-year bonds, and \$1.4 billion in 30-year bonds (see Reference Table XII for more information on buyback operations).

Buybacks on a cash basis resulted in \$6.8 billion of new benchmarks being issued. Switch buyback operations in 2004–05 resulted in \$4.7 billion of new building benchmarks being issued. Chart 10 shows the impact of regular bond buybacks on benchmark sizes in 2004–05.

Chart 10
**Impact of Regular Buyback Program
 on Benchmark Sizes**
 As of March 31, 2005



Source: Bank of Canada.

Table 2
Change in Composition of Federal Market Debt, 2004–05

	April 1, 2004 Outstanding	New Issues	Maturing	Repurchase	March 31, 2005 Outstanding	Change
	(\$ billions)					
Domestic debt						
Nominal bonds	258.2	35.5	32.5	24.4 ¹	244.2	-13.9
Real Return Bonds	20.6 ²	1.4	0.0	—	22.4	1.8
Treasury bills ³	113.4	271.5	257.7	—	127.2	13.8
Retail debt	21.3	2.0	4.2	—	19.1	-2.2
Total domestic debt	413.5				412.8	-0.7
Foreign currency debt⁴						
Canada bills	3.4	13.6	13.1	—	3.9	0.5
Foreign bonds ⁵	12.9	0.0	2.4	—	9.6	-3.3
Canada notes	1.3	0.0	0.0	—	1.1	-0.2
Euro Medium-Term Notes	3.0	0.0	1.4	—	1.7	-1.3
Total foreign debt	20.5				16.3	-4.2
CPP bonds and notes	3.4	0.0	0.0	—	3.4	0.0
Obligations related to capital leases	2.8	0.2	0.1	—	2.9	0.1
Total market debt	440.2				435.5	-4.8

Note: Sub-categorization of Government of Canada debt is in accordance with Bank of Canada reports, which may vary slightly from Public Accounts categories due to differences in classification methods. Numbers may not add due to rounding.

¹ Includes the regular bond buyback program (\$11.5 billion) and the cash management bond buyback program (\$12.9 billion). Some cash management bond buybacks in 2004–05 did not reduce maturities in that year, but in 2005–06.

² Includes CPI adjustment.

³ These securities are issued at 3-, 6- and 12-month maturities and are therefore rolled over a number of times during the year for refinancing. This results in a larger number of new issues per year than stock outstanding at the end of the fiscal year. These amounts include cash management bills.

⁴ Liabilities are stated at par value at the March 31, 2005, exchange rate. Changes in outstanding amounts for foreign currency bonds, Canada notes and Euro Medium-Term Notes include the exchange rate appreciation/depreciation of the currency of issue versus the Canadian dollar.

⁵ Includes \$492.0 million in securities assumed by the Government of Canada on February 5, 2001, on the dissolution of Petro-Canada Limited.

Source: *Public Accounts of Canada*.

Treasury Bills and Cash Management Bills (CMBs)

The stock of outstanding treasury bills and CMBs increased by \$13.8 billion during 2004–05 to \$127.2 billion at March 31, 2005, consistent with the orderly move to a lower fixed-rate share of debt. For the entire fiscal year \$271.5 billion in treasury bills and CMBs were auctioned, an increase of \$9.0 billion from the previous year (see Table 3). There were \$4.7 billion of CMBs outstanding at the beginning of fiscal 2004–05 and \$7.5 billion outstanding at the end of the year. Throughout the year the Government issued \$25.0 billion of CMBs of various short-term maturities.

Table 3
Treasury Bill and CMB Program Issuance

Issuance	1999–00	2000–01	2001–02	2002–03	2003–04	2004–05
			(\$ millions)			
CMBs	19,700	9,000	7,500	23,750	28,500	24,950
3-month treasury bills	100,700	88,100	103,300	117,400	129,700	137,500
6-month treasury bills	46,600	38,600	43,100	47,800	51,900	54,500
12-month treasury bills	46,600	38,600	43,100	47,800	51,900	54,500
Total treasury bills	193,900	165,300	189,500	213,000	233,450	246,500
Total including CMBs	213,600	174,300	197,000	236,750	262,416	271,450

Sources: Bank of Canada and *Public Accounts of Canada*.

Retail Debt

The level of outstanding debt held by domestic retail investors—Canada Savings Bonds and Canada Premium Bonds—decreased from \$21.3 billion to \$19.1 billion in 2004–05. Gross sales and redemptions were \$2.0 billion and \$4.2 billion, respectively, for a net reduction of \$2.2 billion in the stock of retail debt. The decline of the retail debt stock is consistent with the trend in overall government debt and an environment of increased competition from private sector retail instruments. Retail debt stock outstanding has decreased from just under \$33 billion in 1993 to the current \$19.1 billion.

For more information on Canada Savings Bonds and Canada Premium Bonds, see the annual report of Canada Investment and Savings, the Government's retail debt agency, available at www.csb.gc.ca/eng/about_report.asp.

Bill and Bond Auction Results Indicators

The two conventional measures of auction performance are the auction coverage and tail. These two measures, combined with the yield of the securities issued, describe the quality of an auction in terms of its competitiveness and its impact on the cost of borrowing.

The auction coverage is defined as the total size of bids received divided by the auction size. A coverage statistic of one is essential for all securities on offer to be sold and a higher statistic is generally better, as it indicates active bidding and therefore lower costs for the Government. The auction tail is the number of basis points between the highest yield accepted and the average yield. In this case, smaller is better as it indicates strong bidding and therefore lower costs.

The terms of participation in government auctions require larger dealers (primary dealers) to bid for 50 per cent of their auction limit at reasonable prices. Maximum coverage ratios from primary dealers (which represent about 85 per cent of winning bids) could reach a maximum of about 2.6 for bond auctions and 2.4 for treasury bill and CMB auctions, while minimum coverage, assuming that all primary dealers bid at their minimum bidding limit, would total about 1.4 for bond auctions and 1.2 for treasury bill and CMB auctions.

In 2004–05 coverage remained generally stable for treasury bill and bond auctions. Coverage has remained stable over the last four years. Tails were narrower in 2004–05 than the 4-year average for treasury bill and bond auctions, indicating relatively more competitive bidding at auctions (see Table 4).

Table 4
Performance at Auctions

	Coverage (Ratio)					Tail (Basis Points)				
	2001–02	2002–03	2003–04	2004–05	4-yr avg.	2001–02	2002–03	2003–04	2004–05	4-yr avg.
Treasury bills										
3-month	2.0	2.2	2.2	2.1	2.1	1.3	0.6	0.5	0.5	0.7
6-month	2.2	2.3	2.2	2.1	2.2	0.8	0.7	0.5	0.5	0.6
12-month	2.0	2.1	2.1	2.0	2.0	0.9	0.7	0.7	0.6	0.7
CMBs	1.9	2.0	2.0	2.4	2.1	1.4	1.4	1.4	1.7	1.5
Nominal bonds										
2-year	2.3	2.3	2.5	2.5	2.4	0.7	0.7	0.5	0.3	0.6
5-year	2.4	2.5	2.6	2.5	2.5	0.7	0.7	0.5	0.5	0.6
10-year	2.5	2.5	2.5	2.3	2.4	0.9	0.8	0.5	0.4	0.6
30-year	2.5	2.5	2.6	2.3	2.5	1.1	0.7	0.4	0.7	0.8
Real Return										
Bonds ¹	2.8	3.2	2.9	2.5	2.8	n.a.	n.a.	n.a.	n.a.	n.a.
Weighted average ²	2.1	2.2	2.2	2.1	2.2	1.1	0.7	0.5	0.5	0.7

¹ Auction tails for RRBs are not relevant since RRBs are distributed through single-price auctions.

² Weighted average excludes CMBs.

Source: Bank of Canada.

Participation at Auctions

This section provides information on participation of government securities distributors (primary dealers and other government securities dealers) and customers (in practice institutional investors) in the primary market for Government of Canada securities. Primary market shares are calculated using government securities distributors' and customers' allotments at auctions during the fiscal year.

Nominal Bonds

In 2004–05 primary dealers (PDs) were allotted 96 per cent of nominal bond auctions while customers were allotted about 2 per cent. Other government securities distributors (GSDs) won approximately 2 per cent (see Table 5). The 10 most active participants bought about 93 per cent of the bonds on average. These percentages show an increase in concentration of primary dealer allotments from previous years, continuing a trend of increasing auction shares by the larger participants.

Table 5

*Bond Auctions Share of Amount Allotted to Participants
(Excluding Real Return Bonds)*

Participant Type	2001–02	2002–03	2003–04	2004–05
	(%)			
PDs	83.7	91.8	93.4	96.0
Other GSDs	6.4	2.5	1.8	2.2
Customers	9.8	5.6	4.7	1.8
Top 10 participants	84.0	88.7	90.9	92.8

Source: Bank of Canada.

Bond Buybacks

Primary dealers are the most active participants in bond buyback operations. Customers' share of allotments at buybacks is shown as zero, but this likely underestimates the level of participation of customers, as they may participate in buyback operations through dealers without identifying themselves (see Table 6).

Table 6

*Bond Buyback Operations Share of Amount Allotted to Participants
(Excludes Cash Management Bond Buybacks)*

Participant Type	2001–02	2002–03	2003–04	2004–05
	(%)			
PDs	86.2	96.4	97.9	96.5
Other GSDs	0.0	1.7	2.1	3.5
Customers ¹	13.8	1.9	0.0	0.0
Top 10 participants	98.4	94.5	97.4	97.9

¹ Results may underestimate customer participation. Contrary to treasury bill and bond auctions, customers do not have to inform the Bank of Canada about their participation at buyback operations.

Source: Bank of Canada.

Real Return Bonds

Unlike nominal bond auctions, RRB auctions have more active customer participation. This is largely due to the relative lack of product availability in the secondary market, as many RRB investors are buy-and-hold investors. Allotments to customers decreased from about 63 per cent in 2003–04 to about 46 per cent in 2004–05 as the primary dealers' share increased from the previous year. The 10 most active participants in RRB auctions were allotted about 67 per cent of the auction, which is in line with historical averages (see Table 7).

Table 7

RRB Auctions Share of Amount Allotted to Participants

Participant Type	2001–02	2002–03	2003–04	2004–05
			(%)	
PDs	39.0	47.9	36.1	53.1
Other GSDs	3.9	0.9	0.8	0.7
Customers	57.2	51.2	63.1	46.2
Top 10 participants	61.2	63.9	69.0	66.6

Source: Bank of Canada.

Treasury Bills

For 2004–05 primary dealers accounted for about 86 per cent of amounts allotted at treasury bill auctions while customers accounted for about 11 per cent and other GSDs accounted for about 2 per cent. The share won by primary dealers has been relatively steady in the last four years in a narrow range of 84–86 per cent. In 2004–05 the 10 most active participants accounted for about 94 per cent of amounts allotted at treasury bill auctions (see Table 8).

Table 8

Treasury Bill Auctions Share of Amount Allotted to Participants

Participant Type	2001–02	2002–03	2003–04	2004–05
			(%)	
PDs	86.0	84.1	84.2	86.4
Other GSDs	1.6	2.2	1.2	2.3
Customers	12.4	13.6	14.5	11.3
Top 10 participants	93.0	91.5	93.7	93.6

Source: Bank of Canada.

Cash Management Bills

Primary dealers are the most frequent participants at CMB auctions. In 2004–05 primary dealers were awarded about 96 per cent of the allotted amounts, and the 10 most active participants accounted for about 98 per cent. The average allotment share of customers increased to about 2 per cent from less than 1 per cent in the previous fiscal year (see Table 9).

Table 9*CMB Auctions Share of Amount Allotted to Participants*

Participant Type	2001–02	2002–03	2003–04	2004–05
	(%)			
PDs	95.6	93.0	97.8	95.5
Other GSDs	2.3	2.5	1.4	2.6
Customers	2.1	4.5	0.8	1.9
Top 10 participants	97.9	95.5	99.2	98.1

Source: Bank of Canada.

Secondary Market

The two conventional measures of liquidity and efficiency in the Government of Canada securities market are trading volume and turnover ratio. These two measures are presented for bonds (Chart 11 and, for international comparison, Chart 12) and treasury bills (Chart 13).

Trading volume and turnover ratios for bond repos (Chart 14) and treasury bill repos (Chart 15) are also provided. A repo, or repurchase agreement, is a transaction in which a party sells a security and simultaneously agrees to repurchase it at a given price at a given time in the future. These transactions provide short-term collateralized loans of cash and low-risk securities to finance or support dealer inventory. As such, they represent an index of the scale of market activity.

Trading volume, which shows the amount of securities traded per period, is a conventional indicator of liquidity. Large trading volume allows participants to buy or sell in the marketplace without a substantial change in the price of the securities. Turnover ratio, which is the ratio of securities traded relative to the amount of securities outstanding, is a measure of market efficiency. High turnover implies that a large amount of securities changes hands over a given period of time, a hallmark of an efficient securities market.

A number of factors affect trading volume and turnover ratio, such as the extent to which new information changes views in the marketplace and changes in the stock of outstanding securities. Trends in these two measures can be indicators of changes in market liquidity and efficiency.

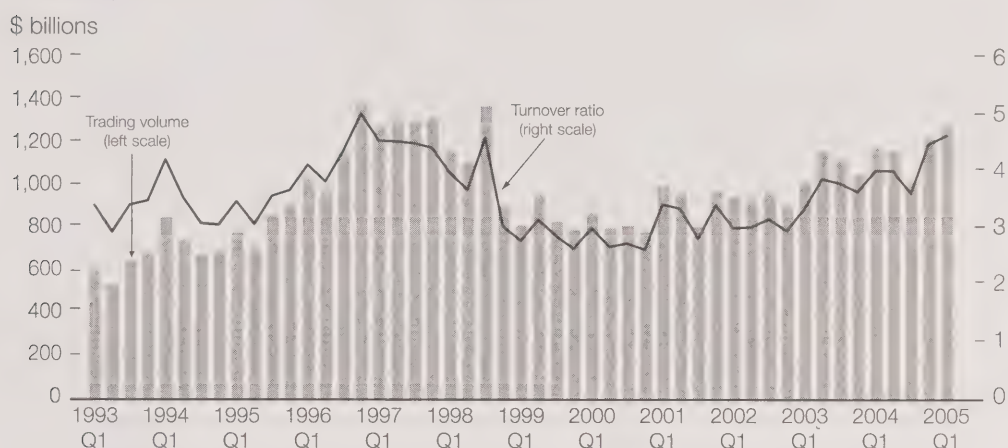
The presence of liquid repo markets and liquid futures contracts complements an efficient Government of Canada securities market. A liquid repo market exists in the Government of Canada securities market for treasury bills and nominal bonds. There is also an active futures contract based on the benchmark 10-year Government of Canada bond. (On May 3, 2004, the Montréal Exchange launched a new futures contract on the benchmark 2-year Government of Canada bond.)

Trading Volume and Turnover Ratios

The volume of transactions in the Government of Canada bond market has grown significantly since 1990. Total marketable bond trading volume was \$4,721 billion in 2004–05, a 3.5-per-cent increase from 2003–04. The average quarterly turnover ratio was 4.2 times the outstanding stock of bonds in 2004–05, compared to 3.8 in 2003–04 (see Chart 11).

Chart 11

Government of Canada Bonds Trading Volume and Turnover Ratio



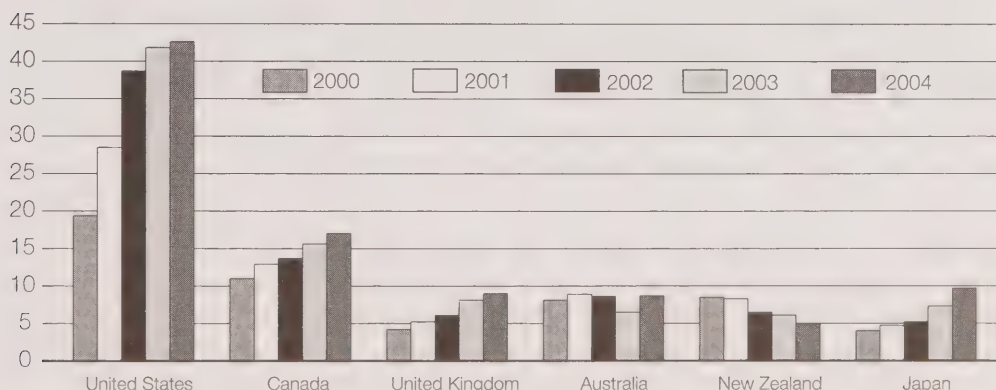
Note: Trading volume is total volume of trading by government securities distributors in each quarter. Turnover ratio is total trading volume in each quarter/stock.

Source: Bank of Canada.

At an annual stock turnover of 17 in 2004, the Government of Canada bond market compares favourably with other major sovereign bond markets, with the exception of the United States (see Chart 12).

Chart 12

Sovereign Bond Turnover Ratios



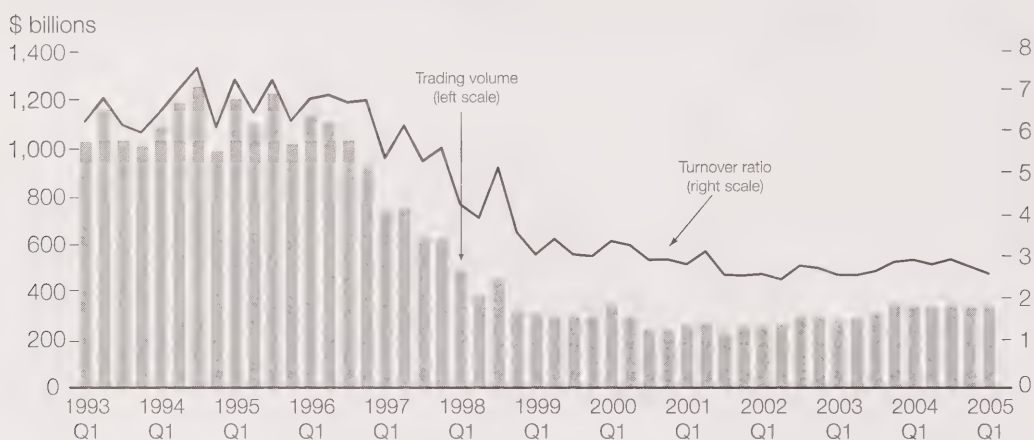
Note: Turnover ratio is total trading volume in each quarter/stock. Comparisons with the UK do not take into account higher issuance levels of inflation-linked bonds compared to other sovereigns. UK data is for fiscal year.

Sources: *Australian Financial Markets Report*, Bank of Canada, Federal Reserve Bank of New York, Japan Ministry of Finance, The Bureau of the Public Debt of the US, United Kingdom Debt Management Office, Reserve Bank of New Zealand.

The volume of transactions in the treasury bill market was comparable to the previous fiscal year and remains below the highs in the mid-1990s, when the level of the treasury bill stock was at its peak. In 2004–05 total treasury bill trading volume was \$1,364 billion (see Chart 13). The average quarterly turnover ratio increased slightly to 2.89 in 2004–05 from 2.87 in 2003–04.

Chart 13

Government of Canada Treasury Bills Trading Volume and Turnover Ratio



Note: Trading volume is total volume of trading by government securities distributors in each quarter. Turnover ratio is total trading volume in each quarter/stock.

Source: Bank of Canada.

Both Government of Canada bond repos and treasury bill repos remained active in 2004–05. The total trading volume for Government of Canada bond repos in 2004–05 was \$17,594 billion, down from \$17,745 billion in 2003–04. The average quarterly turnover ratio for bond repos in 2004–05 was 15.7 times compared to 15.0 times in 2003–04 (see Chart 14). The treasury bill repo market volume in 2004–05 was \$3,582 billion compared to \$2,710 billion in 2003–04 and the average quarterly turnover ratio was 7.6 compared to 6.0 in 2003–04 (see Chart 15).

Chart 14
Government of Canada Bond Repos
Trading Volume and Turnover Ratio

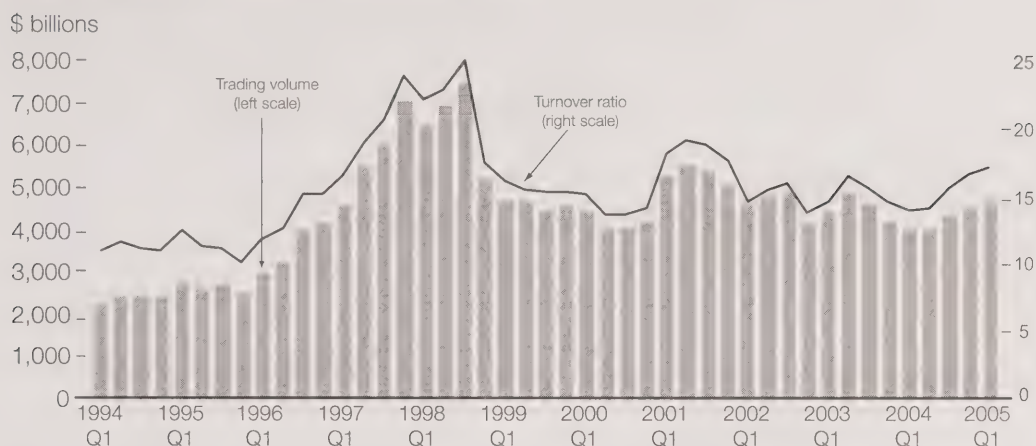


Chart 15
Government of Canada Treasury Bill Repos
Trading Volume and Turnover Ratio



The futures contract based on the 10-year Government of Canada bond (the Canadian Government Bond contract or CGB contract) continues to be actively traded, as trading volume reached 3 million contracts in 2004, a 25-per-cent increase from 2003.

Trading by Market Participants

Bonds

Primary dealers' share of bond trading decreased slightly from 2003–04 while other government securities distributors' share increased, continuing the trend since 2001–02. The 10 most active participants in the bond secondary market represent about 94 per cent of trading activities (see Table 10).

Table 10
Bond Trading: Market Share of Participants

Participant Type	2001–02	2002–03	2003–04	2004–05
			(%)	
PDs	94.0	93.3	92.6	91.3
Other GSDs	6.0	6.7	7.4	8.7
Top 10 participants	96.0	95.9	95.1	93.9

Source: Bank of Canada.

Treasury Bills

Primary dealers maintain a dominant share of the treasury bill secondary market, representing about 98 per cent of total trading volume. The 10 most active participants in the treasury bill secondary market represent close to 100 per cent of trading activities (see Table 11).

Table 11
Treasury Bill Trading: Market Share of Participants

Participant Type	2001–02	2002–03	2003–04	2004–05
			(%)	
PDs	98.3	98.4	98.4	98.1
Other GSDs	1.7	1.6	1.6	1.9
Top 10 participants	99.4	99.5	99.2	99.5

Source: Bank of Canada.

Cash Management

Receiver General (RG) cash balances, the Government's Canadian-dollar balances, are invested in a prudent, cost-effective manner through auctions with private sector financial institutions to minimize the cost to the Government of holding cash. Auctions take place twice per day, in the morning (AM auction) and in the afternoon (PM auction). RG cash balances fluctuate widely over the year with variations in the Government's financial operations, periodic large maturities of Government of Canada bonds, the operations of the Bank of Canada and changes in market conditions. The primary objective is to hold the lowest level of cash balances, consistent with ensuring funds are available to meet daily requirements, with an appropriate margin for security.

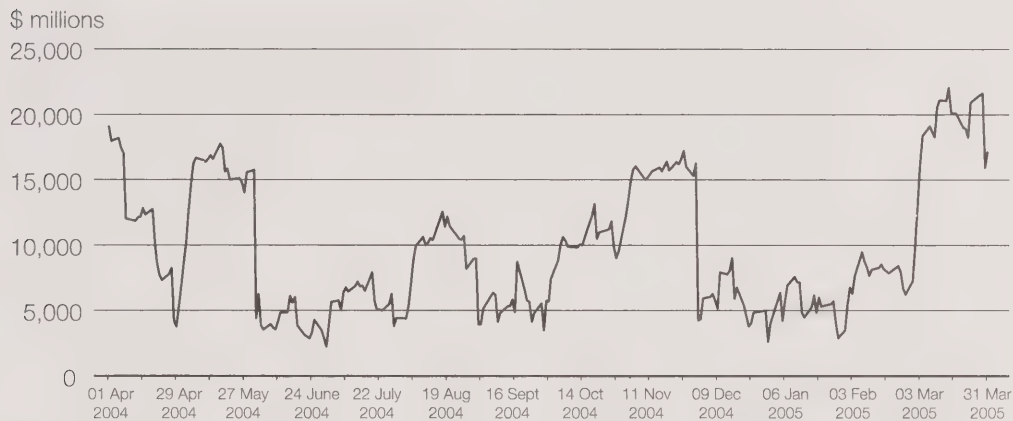
Treasury managers use a number of indicators with respect to cash management activities, including the average level of cash balances, coverage and tail at RG auctions, the performance of participants at RG auctions, effectiveness of the cash management bond buyback program, the cost of carry and the profile of treasury bill operations.

Total Receiver General Cash Balances

As indicated earlier, RG cash balances fluctuate widely over the year for a variety of reasons. RG balances reached a peak of \$22.0 billion and a low of \$2.3 billion in 2004–05 (see Chart 16).

Chart 16

Total Receiver General Balances



Source: Bank of Canada.

Average Daily Cash Balances

Average daily cash balances increased in 2004–05 to \$8.2 billion (see Table 12) as a result of larger bond maturities relative to the previous fiscal year. Larger maturities require that larger cash balances be held in advance of the maturities.

Table 12

Average Daily RG Cash Balances Held at Financial Institutions

	2001–02	2002–03	2003–04	2004–05
	(\$ millions)			
Average daily cash balances	7,921	6,139	7,854	8,193

Source: Bank of Canada.

Coverage and Tails

In 2004-05 coverage at RG auctions improved from the previous fiscal year for the AM auction, and was above the rolling four-year average (see Table 13). This is a continuation of the trend from the previous year, when the new RG collateralization framework was introduced to encourage more participation in AM auctions (for details on the RG collateralization framework see www.fin.gc.ca/dtman/2003-2004/dmr04_1e.html#Annex2). Coverage for the PM auctions, while weaker than in the previous year, was in line with the rolling four-year average.

In 2004-05 AM and PM auction tails narrowed from the previous year, with the AM auction tail below the average of the last four years.

Table 13

Performance at Receiver General Auctions

	2001-02	2002-03	2003-04	2004-05	4-yr. avg.
AM auctions					
Coverage (ratio)	2.42	3.29	3.38	4.16	3.28
Tail (basis points)	2.28	0.91	1.68	1.26	1.58
PM auctions					
Coverage (ratio)	2.27	2.31	2.53	2.35	2.36
Tail (basis points)	2.58	3.04	3.09	2.96	2.92

Source: Bank of Canada.

Participation

The top 10 participants in the Large Value Transfer System (LVTS), the electronic system for the transfer of large payments, won about 74 per cent of RG auctions on average in 2004-05, while the top 10 other participants gained about 24 per cent of the amount allotted, amounts in line with the previous year (see Table 14).

Table 14

Receiver General Auctions Share of Amount Allotted Between LVTS and Other Participants

Participant Type	2001-02	2002-03	2003-04	2004-05
	(%)			
Top 10 LVTS	98.5	91.0	76.0	74.3
Top 10 others	0.0	7.1	23.8	24.3

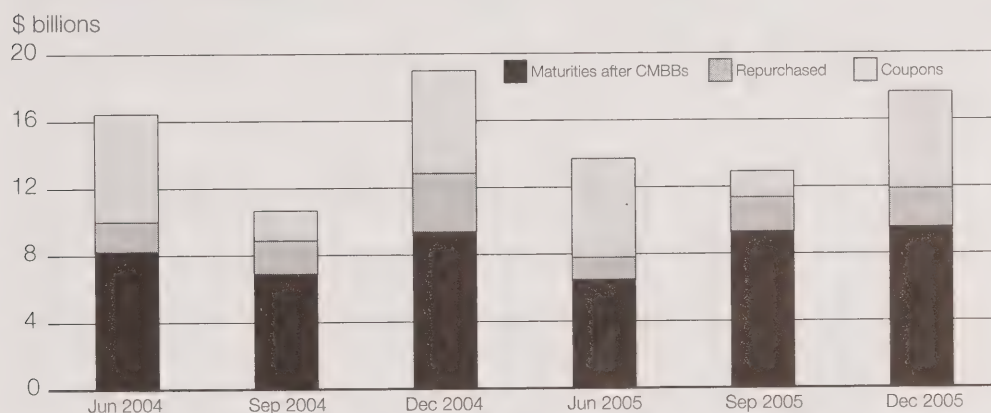
Source: Bank of Canada.

Cash Management Bond Buyback Program

The cash management bond buyback (CMBB) program helps manage the Government's cash requirements by reducing the high levels of government cash balances needed. The program also helps to smooth variations in treasury bill auction sizes over the year.

In 2004–05 the total amount of bonds repurchased through the CMBB program was \$12.9 billion, compared to \$15.7 billion in 2003–04. The CMBB program reduced the size of the December 2004 maturity by 27 per cent to \$9.4 billion. The program also repurchased \$2.0 billion in bonds from the September 2005 bond maturity, reducing the maturing amount to \$9.3 billion. Overall, large maturities were lowered by 21 per cent in 2004–05, reducing the Government's cost of holding high levels of cash balances for key coupon and maturity payment dates (see Chart 17).

Chart 17
**Impact of CMBB Operations
 on the Government's Large Payments**
 As of March 31, 2005



Note: June, September and December 2005 maturities continued to be part of the CMBB program in the 2005–06 fiscal year.

Source: Bank of Canada.

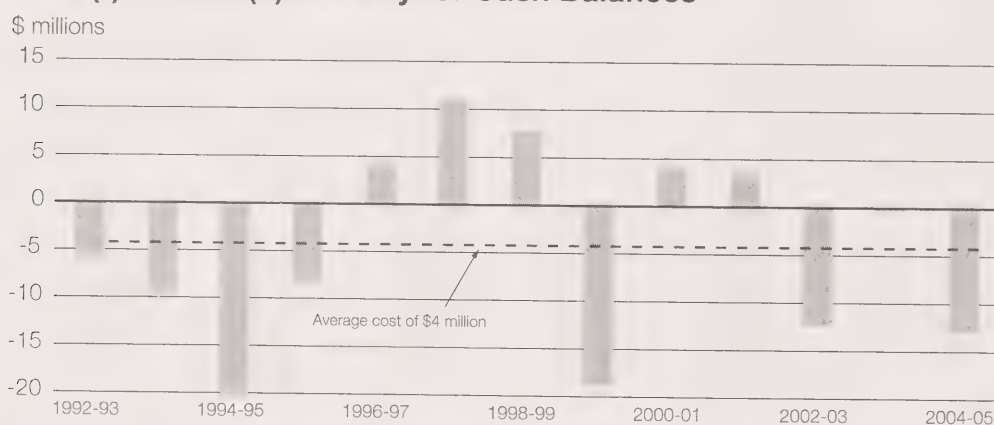
Cost of Carry

The key measure for the management of cash balances is the net return on cash balances: the difference between the return on government balances auctioned to financial institutions (typically around the overnight rate) and the average yield paid on treasury bills. A normal upward sloping yield curve results in a cost of carry, as financial institutions pay rates of interest for government deposits based on an overnight rate that is lower than the rate paid by the Government to borrow funds. Conversely, under an inverted yield curve, short-term deposit rates are higher than the average of 3- to 12-month treasury bill rates, which can result in a net gain for the Government.

In 2004-05 the cost of carry of holding RG cash balances was a net cost of \$13.1 million, compared to a net cost of \$0.4 million for the prior fiscal year (see Chart 18). In 2003-04, there were periods when the yield curve at the short end was inverted as market participants expected the Bank of Canada to lower interest rates, which resulted in the lower cost of carry in that year.

Chart 18

Cost (-) or Gain (+) of Carry for Cash Balances



Source: Bank of Canada.

Profile of Treasury Bill Operations

As the cost of carry is largely determined by the shape of the yield curve, an indicator of cash management activities is the profile of treasury bill operations (amount issued per auction date less amount maturing per auction date). Smooth profiles provide certainty of supply for market participants and help reduce the cost to the Government associated with large operations. The profile of treasury bill operations continued to be smooth in 2004–05, ranging from -\$2 billion to +\$4 billion per operation, with a standard deviation of \$1.2 billion (see Table 15). The net size of new issues was also reasonably smooth with a standard deviation of \$2.2 billion (see Chart 19).

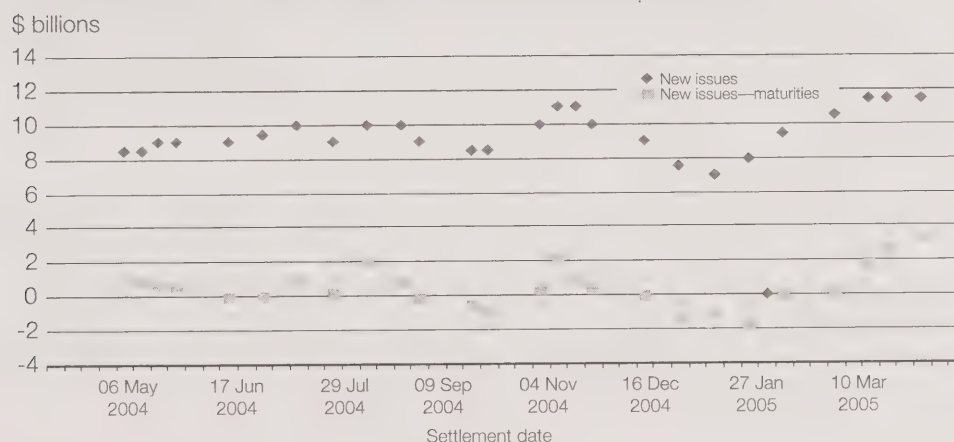
Table 15
Profile of Net Size of Treasury Bill Issues

	2000–01	2001–02	2002–03	2003–04	2004–05
	(\$ billions)				
Range	-3 to 3	-3 to 3	-4 to 4	-2 to +6	-2 to +4
Standard deviation of new issues less maturities	1.4	1.3	1.9	2.3	1.2

Source: Bank of Canada.

Chart 19

New Issues, and Net Size of Treasury Bill Auctions



Source: Department of Finance.

Foreign Currency Debt Programs

The Government borrows in foreign currency to fund the foreign exchange reserves, which are held in the Exchange Fund Account. The Government has at its disposal a variety of instruments to meet its foreign currency funding requirements.

Canada Bills

In 2004–05 the level of outstanding Canada bills increased from \$3.4 billion (US\$2.8 billion) to \$3.9 billion (US\$3.2 billion). In 2004–05 Canada bills were issued, on average, at an all-in cost of US\$LIBOR less 25 basis points.

Foreign Currency Bonds

In 2004–05 no new foreign currency bonds were issued, while a total of \$2.4 billion (US\$2.0 billion) matured. The total decline in the stock of outstanding foreign bonds, including exchange rate changes, was \$3.3 billion. The total outstanding was \$9.6 billion (US\$7.9 billion) at the end of 2004–05.

Canada Notes

There were no new Canada note issues or maturities in 2004–05. The total outstanding was \$1.1 billion (US\$0.9 billion) at the end of 2004–05.

Euro Medium-Term Notes

In 2004–05 no new Euro Medium-Term Notes were issued, while a total of \$1.4 billion (US\$1.1 billion) matured. The total outstanding decreased from \$3.0 billion (US\$2.4 billion) to \$1.7 billion (US\$1.4 billion).

Cross-Currency Swaps

In 2004–05 the Government of Canada raised \$5.9 billion (US\$4.6 billion) to fund the foreign exchange reserves by entering into 64 cross-currency swaps. A total of \$3.1 billion (US\$2.5 billion) of swaps matured in 2004–05. At the end of the 2004–05 fiscal year, the outstanding amount of cross-currency swaps totalled \$24.5 billion (US\$19.7 billion) (see Reference Table XI for transaction details). Taking into account the effect of cross-currency swaps, foreign currency obligations were 8.9 per cent of market debt.

Funding and Investment of Reserves

As the foreign exchange reserves are managed on an integrated asset-liability basis, the key measures of portfolio performance include both assets and liabilities. The main measures in the area of the funding and investment of reserves are the cost of carry, the total return earned on the asset-liability portfolio, and the costs of the liabilities.

The reserves are invested in liquid, high-quality, fixed-income securities, which have generally provided a relatively low rate of return. In recent years policy changes have been made to broaden the eligible asset mix, within prudent limits, and to invest more in euro-denominated assets. These measures have helped to increase portfolio returns. Further means used to minimize the carry of the foreign reserves have been the use of cross-currency swaps, which are highly cost-effective compared to other sources of funds, and the lending of securities in the reserves portfolio.

Carry

Historically, the net return of the asset-liability portfolio has been measured by using the cost of carry methodology. The carry on the foreign reserves is calculated by subtracting the interest paid on Canada's foreign currency liabilities from interest earned on the reserve assets (i.e. the net interest earned or paid), plus realized gains (due to gains on US-dollar and euro asset sales). The overall carry of the reserves portfolio in 2004–05 is estimated at +27.6 basis points compared to +50.3 basis points in 2003–04. The net cost of carry declined primarily due to higher US yields in 2004–05, which in turn caused a decrease in asset prices and lowered market values of US securities sold.

Total Return

In 2004–05 a new measure of performance, total return, was calculated for both the assets and the liabilities, and for each currency, with the return on the liability portfolio being used as a benchmark for the assets (since liabilities fund the assets and assets must match liabilities in currency and duration). Total return is based on the market value of both reserve assets and liabilities, and captures the following key variables: realized gains/losses on sales of assets, unrealized gains/losses on existing portfolio assets and liabilities, and net interest income. The Government earned a net return of 11 basis points on the reserves portfolio in 2004–05.

Liability Costs

In 2004–05 the sources of reserve funding were Canada bills and cross-currency swaps. Canada bills were issued, on average, at an all-in cost of US\$LIBOR less 25 basis points, generally in line with funding levels of recent years. In the case of cross-currency swaps, the Government raised reserve assets at US\$LIBOR less 42 basis points on average in 2004–05, in line with recent years.

The 2004 *Report on the Management of Canada's Official International Reserves*, available at www.fin.gc.ca/toce/2005/oir05_e.html, provides further information on the performance of the reserves portfolio.

Risk Measures

In 2004–05 the Government introduced several new risk measures to enhance measurement of the reserves' exposure to market risk. The new risk management tools include Value at Risk (VaR), a measure of possible portfolio losses due to normal market movements over a given time period. As of March 31, 2005, the foreign reserves had a 99-per-cent 10-day VaR of \$11 million, which implies that, 99 per cent of the time, the value of the portfolio would not be expected to decline by more than \$11 million (or less than a tenth of one per cent), on a net basis, over a 10-day period.

Stress testing, which gives a sense of unexpected impacts on the reserves portfolio at times of extreme market turbulence, was also added in 2004–05. Moreover, hypothetical scenarios that mimic market conditions which occurred during four previous extraordinary events were constructed. Testing revealed that the reserves portfolio would be expected to perform well during periods of market turmoil, as investors would purchase the same high-quality assets as those held in the reserves portfolio in these circumstances.

Holdings of Government of Canada Debt

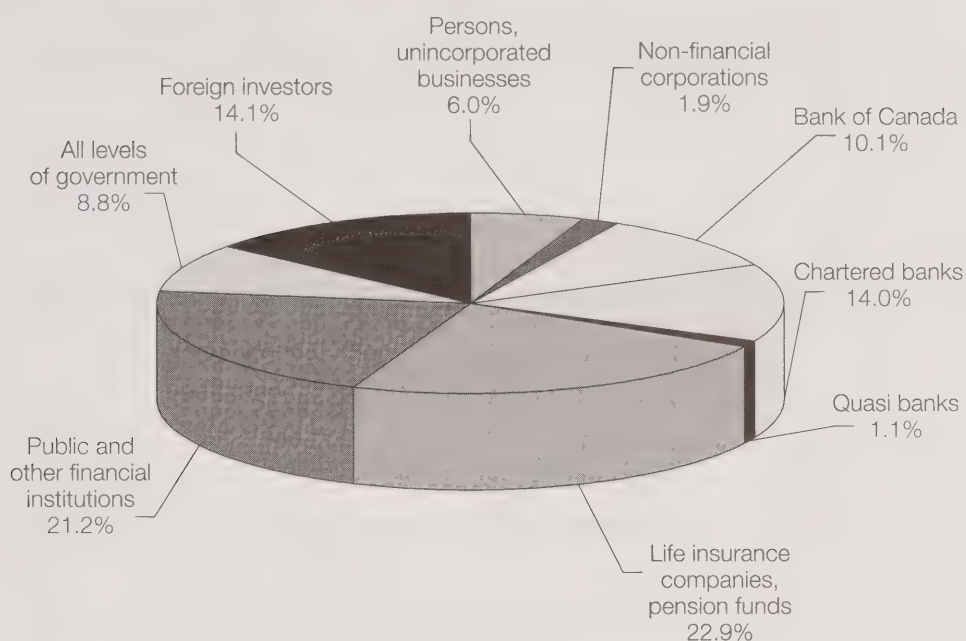
A diversified investor base helps to keep funding costs low by ensuring there is active demand for Government of Canada securities. The Government pursues diversification of its investor base by maintaining a domestic wholesale debt program that is attractive to a wide range of investors, offering a retail debt program that provides savings products to suit the needs of individual Canadians, and using a broad array of funding sources in its foreign borrowings.

In 2004, based on Statistics Canada surveys, life insurance companies and pension funds accounted for the largest share of holdings of Government of Canada market debt (22.9 per cent), followed by public and other financial institutions such as investment dealers and mutual funds (21.2 per cent) and foreign investors (14.1 per cent) (see Chart 20). Taken together, these three sectors accounted for close to 60 per cent of total holdings.

Reference Table IV shows the evolution of the distribution of domestic holdings of Government of Canada debt since 1976, and illustrates that the holdings have become more diversified over that period.

Chart 20

Distribution of Holdings of Government of Canada Market Debt As of March 31, 2005



Source: Statistics Canada, *National Balance Sheet Accounts*.

External Evaluations

The Department of Finance has an ongoing treasury evaluation process to assess debt management effectiveness. The Department uses external evaluations to assess policies and operational decisions in the area of debt management in order to inform future decision making and contribute to public transparency and good governance. Independent evaluators are contracted to carry out the evaluations.

Table 16
Treasury Evaluation Reports, 1992-2005

Area	Year
Debt Management Objectives	1992
Debt Structure—Fixed/Floating Mix	1992
Internal Review Process	1992
External Review Process	1992
Benchmarks and Performance Measures	1994
Foreign Currency Borrowing—Canada Bills Program	1994
Developing Well-Functioning Bond and Bill Markets	1994
Liability Portfolio Performance Measurement	1994
Retail Debt Program	1994
Guidelines for Dealing With Auction Difficulties	1995
Foreign Currency Borrowing—Standby Line of Credit and FRN	1995
Treasury Bill Program Design	1995
Real Return Bond Program	1998
Foreign Currency Borrowing Programs	1998
Initiatives to Support a Well-Functioning Wholesale Market	2001
Debt Structure Target/Modelling	2001
Reserves Management Framework	2002
Bond Buybacks	2003
Funds Management Governance Framework ¹	2004
Retail Debt Program ¹	2004

¹ Available at www.fin.gc.ca.

Source: Department of Finance.

Annex 1: Composition of the Federal Debt

Gross Debt

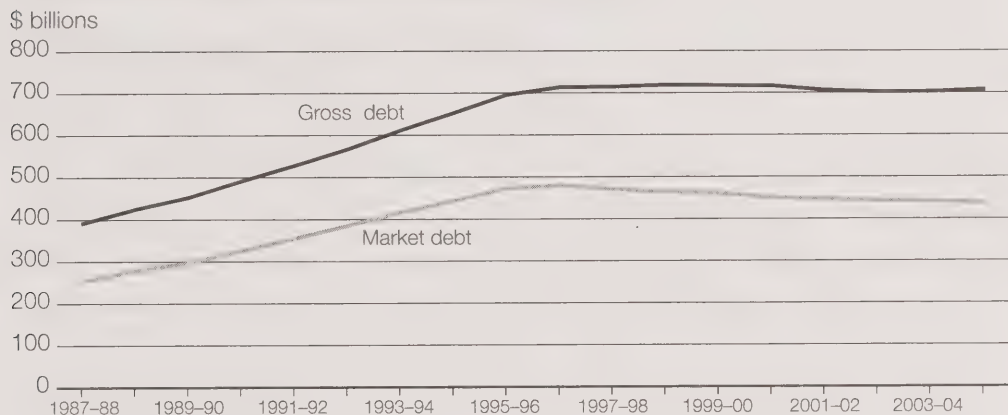
Gross debt is made up of market debt and non-market debt. At the end of March 2005 gross debt totalled \$705.7 billion, up \$4.6 billion from the previous year and down \$10.1 billion from its peak of \$715.8 billion in 1999–2000.

Market Debt

Market debt is the portion of gross debt that is funded in the capital markets and managed by the Government. Market debt consists of marketable bonds, treasury bills, foreign-currency-denominated bonds and bills, retail debt, bonds held by the CPP and obligations related to capital leases. Foreign currency debt is issued on an opportunistic basis. At March 31, 2005, market debt outstanding was \$435.5 billion, down \$4.8 billion from the previous year (see Chart A1).

Chart A1

Evolution of Gross Debt and Market Debt



Source: *Public Accounts of Canada*.

Non-Market Debt

Non-market debt includes liabilities held by the Government outside the capital markets. This includes the Government's obligations to public sector pension plans, the CPP, as well as other liabilities, accounts payable and accrued liabilities and allowances. In 2004–05 non-market debt amounted to \$270.3 billion, up \$9.4 billion from the previous year.

Net Debt

Net debt is gross debt minus financial assets. Financial assets include cash, foreign exchange accounts and loans. Net debt declined by \$1.6 billion from \$556.3 billion in 2003–04 to \$554.7 billion in 2004–05. The Government's financial assets increased by \$6.2 billion to \$151.0 billion.

Federal Debt

Federal debt, or the accumulated deficit, is net debt minus non-financial assets. Non-financial assets include tangible capital assets, inventories and prepaid expenses. Federal debt declined by \$1.6 billion, from \$501.5 billion in 2003–04 to \$499.9 billion in 2004–05. The Government's non-financial assets increased by \$48 million to \$54.9 billion.

Annex 2: Glossary

basis point: One-hundredth of a percentage point (0.01 per cent).

benchmark bond: Specific issue outstanding within each class of maturities. It is considered by the market to be the standard against which all other bonds issued in that class are evaluated.

bid: Price a buyer is willing to pay.

bid-offer spread: The difference between bid and offer prices. It is typically measured in basis points.

budgetary surplus: Occurs when government annual revenues exceed annual budgetary expenses. A deficit is the shortfall between government annual revenues and annual budgetary expenses.

cash management: Control by the Bank of Canada of settlement balances through increases or decreases in the amount of cash balances supplied to LVTs participants in relation to the amount demanded in order to reinforce the Bank's target interest rate.

compound interest bond (C-bond): A Canada Savings Bond or Canada Premium Bond on which interest accrues and is compounded annually to maturity or until redeemed.

Exchange Fund Account: A fund maintained by the Government of Canada for the purpose of promoting order and stability of the Canadian dollar in the foreign exchange market. This function is fulfilled by purchasing foreign exchange (selling Canadian dollars) when there is upward pressure on the value of the Canadian dollar and selling foreign exchange (buying Canadian dollars) when there is downward pressure on the currency.

financial source/requirement: Measures the difference between the cash coming in to the Government and the cash going out. In the case of a financial requirement, it is the amount of new borrowing required from outside lenders to meet the Government's financing needs in any given year.

foreign exchange reserves: Stocks of foreign exchange assets (e.g. interest-earning bonds) held by sovereign states to support the value of the domestic currency. Canada's foreign exchange reserves are held in the Exchange Fund Account.

Government of Canada securities auction: A process used for selling Government of Canada debt securities (mostly marketable bonds and treasury bills) in which issues are sold by public tender to government securities distributors.

government securities distributors (GSDs): Members of a group of investment dealers and banks through which the Government distributes Government of Canada treasury bills and marketable bonds.

inflation: A persistent rise over time in the average price of goods and services.

interest-bearing debt: Consists of unmatured debt, or market debt, and the Government's liabilities to internally held accounts such as federal employees' pension plans.

Large Value Transfer System (LVTS): An electronic system for the transfer of large value or time-critical payments.

LIBOR: London Interbank Offered Rate. An interest rate charged among banks in London for short-term loans denominated in a specific currency.

marketable bond: A Canadian government debt security that is non-cashable prior to maturity, but whose ownership may be transferred from one holder to another on the open market.

marketable debt: Market debt that is issued by the Government of Canada and sold via public tender or syndication. These issues can be traded between investors while outstanding.

monetary policy: A policy that seeks to improve the performance of the economy by regulating money supply and credit.

money market: The market in which short-term capital is raised, invested and traded using financial instruments such as treasury bills, bankers' acceptances, commercial paper, and bonds maturing in one year or less.

offer: Price at which a seller is willing to sell.

overnight rate; overnight financing rate; overnight money market rate; overnight lending rate: The rate at which major participants in the money market borrow and lend one-day funds to each other.

primary dealers (PDs): Members of the core group of government securities distributors that maintain a certain threshold of activity in the market for Government of Canada securities. The primary dealer classification can be attained in either treasury bills or marketable bonds, or both.

primary market: The market in which securities are initially sold or offered.

regular interest bond (R-bond): A Canada Savings Bond or Canada Premium Bond on which interest is paid annually by cheque or by direct deposit to maturity or until redeemed.

repo; repurchase agreement: A transaction in which a party sells a security and simultaneously agrees to repurchase it at a given price after a specified time.

secondary market: The market in which previously issued securities are traded, as distinguished from the new issue or primary market.

turnover ratio: Volume of securities traded as a percentage of securities outstanding.

yield curve: The levels of interest rates from short- to long-term maturities.

Annex 3: Contact Information

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Reference Table I

Gross Public Debt, Outstanding Market Debt and Debt Charges

Fiscal years	Gross public debt			Outstanding market debt		
	Outstanding (\$ billions)	Fixed-rate portion ¹ (%)	Average fixed-rate portion ² (%)	Outstanding ³ (\$ billions)	Fixed-rate portion (%)	Total debt charges (\$ billions)
1985-86	319.4	51.9		202.3	36.7	20.7
1986-87	355.0	50.9		229.7	36.9	21.5
1987-88	388.0	51.2		251.9	38.2	23.1
1988-89	421.4	49.6		277.4	37.2	26.5
1989-90	449.3	49.9		295.7	38.1	31.4
1990-91	487.7	50.4		325.0	38.5	34.3
1991-92	524.2	50.7		353.0	38.9	32.4
1992-93	563.2	50.4		383.9	39.0	29.4
1993-94	607.3	53.3		415.1	42.7	28.0
1994-95	648.7	55.1		442.8	44.4	31.4
1995-96	691.3	56.9		471.4	47.9	35.3
1996-97	709.4	61.7		478.8	53.8	33.0
1997-98	711.3	63.7		469.2	56.8	31.0
1998-99	714.9	64.5	66.6	463.0	58.5	30.8
1999-00	715.8	66.5	66.6	459.0	59.1	30.5
2000-01	715.1	67.8	67.6	449.0	60.5	30.7
2001-02	704.3	67.4	67.6	444.9	60.1	27.4
2002-03	700.1	65.8	65.8	442.4	61.2	25.2
2003-04	701.1	63.8	64.4	440.2	58.7	23.4
2004-05	705.7	63.1	63.9	435.5	57.0	21.7

¹ For interest-bearing debt as of March 31. Calculation methodology may vary slightly from year to year. The definition of interest-bearing debt changed slightly in 2002-03 to reflect the adoption of the full accrual basis of accounting.

² Average over the year. Comparative figures for 1985-86 to 1997-98 are not available.

³ Includes capital lease obligations.

Sources: *Public Accounts of Canada*, *Bank of Canada Review*, Department of Finance estimates.

Reference Table II
Government of Canada Outstanding Market Debt

Fiscal years	Payable in Canadian dollars				Payable in foreign currencies							Total market debt			
	Treasury bills	Marketable bonds	Retail debt	CPP bonds	Total	Marketable bonds	Canada bills	Canada notes ¹	Standby drawings	Term loans					
(C\$ millions)															
1977-78	11,295	21,645	18,036	84	51,060	181	0	0	850	0	1,031				51,664
1978-79	13,535	26,988	19,443	96	60,062	3,319	0	0	2,782	1,115	7,216				66,640
1979-80	16,325	33,387	18,182	113	68,007	3,312	0	0	359	1,030	4,701				72,021
1980-81	21,770	40,976	15,966	136	78,848	3,236	0	0	355	1,046	4,637				83,138
1981-82	19,375	43,605	25,108	154	88,242	3,867	0	0	0	550	4,417				93,167
1982-83	29,125	48,473	32,753	171	110,522	4,872	0	0	0	362	5,234				116,562
1983-84	41,700	56,976	38,403	189	137,268	4,306	0	0	510	398	5,214				142,901
1984-85	52,300	69,354	42,167	205	164,026	4,972	0	0	1,909	1,172	8,053				172,719
1985-86	61,950	81,163	44,607	445	188,165	9,331	0	0	2,233	2,247	13,811				201,229
1986-87	76,950	94,520	43,854	1,796	217,120	9,120	1,045	0	0	2,047	12,212				228,611
1987-88	81,050	103,899	52,558	2,492	239,999	8,438	1,045	0	0	2,257	11,740				250,809
1988-89	102,700	115,748	47,048	3,005	268,501	6,672	1,131	0	0	934	8,737				276,301
1989-90	118,550	127,681	40,207	3,072	289,510	4,364	1,446	0	0	0	5,810				294,562
1990-91	139,150	143,601	33,782	3,492	320,025	3,555	1,008	0	0	0	4,563				323,903
1991-92	152,300	158,059	35,031	3,501	348,891	3,535	0	0	0	0	3,535				351,885
1992-93	162,050	178,436	33,884	3,505	377,875	2,926	2,552	0	0	0	5,478				382,741
1993-94	166,000	203,373	30,866	3,497	403,736	5,019	5,649	0	0	0	10,668				413,975
1994-95	164,450	225,513	30,756	3,488	424,207	7,875	9,046	0	0	0	16,921				440,998
1995-96	166,100	252,411	30,801	3,478	452,790	9,514	6,986	310	0	0	16,810				469,547
1996-97	135,400	282,059	32,911	3,468	453,838	12,460	8,436	2,121	0	0	23,017				476,852
1997-98	112,300	293,987	30,302	3,456	440,045	14,590	9,356	3,176	0	0	27,122				467,291
1998-99	96,950	294,914	28,810	4,063	424,737	19,655	10,171	6,182	0	0	36,008				460,427
1999-00	99,850	293,250	27,115	3,427	423,642	21,464	6,008	5,168	0	0	32,640				456,406
2000-01	88,700	293,879	26,457	3,404	412,440	20,509	7,228	5,695	0	0	33,432				445,724
2001-02	94,200	292,910	24,229	3,386	414,725	19,652	3,355	4,405	0	0	27,412				442,137
2002-03	104,600	286,289	22,878	3,369	417,136	14,412	2,603	4,533	0	0	21,548				438,684
2003-04	113,400	276,022	21,521	3,351	414,294	20,523	3,364	1,085	0	0	24,972				439,266
2004-05	127,200	263,376	19,242	3,400 ²	413,218	9,940	3,862	2,789	0	0	16,591				429,809

Note: Subcategorization of Government of Canada debt is in accordance with Bank of Canada reports, which may vary slightly from Public Accounts categories due to differences in classification methods. The total outstanding market debt may not equal the sum of the parts due to slight differences between the Bank of Canada's and Department of Finance's numbers.

¹ Includes Euro Medium-Term Notes.

² Includes non-marketable obligations issued to the Canada Pension Plan Investment Fund and non-marketable obligations issued to the trustees in respect of health care initiatives.

Source: Bank of Canada.

Reference Table III
Average Weekly Domestic Market Trading in Government of Canada Securities, April 2004 to March 2005

	Marketable bonds					Total marketable bonds	Total
	Treasury bills	3 years and under	3 to 10 years	Over 10 years	Real Return Bonds		
April 2004	23,552	37,397	41,300	10,489	282	89,468	113,020
May 2004	23,476	30,231	43,747	10,816	362	85,156	108,632
June 2004	29,407	35,918	49,223	8,851	498	94,490	123,897
July 2004	27,147	25,982	36,697	8,805	257	71,741	98,888
August 2004	25,929	29,215	35,080	6,672	223	71,190	97,119
September 2004	26,911	36,120	46,998	8,546	322	91,986	118,897
October 2004	24,606	36,867	41,330	9,440	268	87,905	112,511
November 2004	26,415	33,509	50,371	11,138	269	95,287	121,702
December 2004	26,644	39,344	50,479	9,169	382	99,374	126,018
January 2005	26,982	30,527	40,297	12,990	224	84,038	111,020
February 2005	25,261	39,103	48,842	14,571	339	102,855	128,116
March 2005	27,176	40,451	54,060	13,219	429	108,159	135,335

Source: Bank of Canada.

Reference Table IV

*Distribution of Domestic Holdings of Government of Canada Securities*PART A — Treasury Bills, Canada Bills, Bonds,¹ Canada Savings Bonds and Canada Premium Bonds

Year end	Persons and unincorporated businesses	Non-financial corporations	Bank of Canada	Chartered banks	Quasi-banks	Life insurance companies and pension funds	Public and other financial institutions	All levels of government ²	Foreign	Total
(\$ millions)										
1976	17,932	395	8,242	8,666	716	1,436	2,273	730	1,652	42,042
1977	20,277	321	10,268	9,601	1,048	2,271	3,114	1,014	2,185	50,099
1978	22,723	403	12,001	9,896	1,537	3,738	4,017	1,721	4,770	60,806
1979	23,144	374	13,656	10,156	1,684	6,716	4,103	2,878	5,956	68,667
1980	24,253	555	15,858	10,002	2,771	9,274	5,561	4,248	7,630	80,152
1981	33,425	520	17,100	10,003	2,452	10,569	5,342	4,194	9,102	92,707
1982	42,320	2,267	15,428	11,233	3,288	13,151	9,177	4,654	10,737	112,255
1983	50,306	5,502	16,859	15,107	5,551	17,816	9,984	5,321	12,091	138,537
1984	60,748	6,783	17,184	15,164	4,887	24,039	11,978	7,166	16,205	164,154
1985	74,331	7,387	15,668	15,198	5,706	31,068	15,086	10,106	21,608	196,158
1986	71,073	6,259	18,374	17,779	7,277	34,887	18,414	11,293	33,060	218,416
1987	83,732	8,591	20,201	16,012	6,400	38,870	19,547	13,918	36,462	243,733
1988	86,591	8,634	20,606	21,115	7,492	42,460	19,028	17,186	51,134	274,246
1989	81,566	11,402	21,133	20,804	9,854	48,037	23,950	17,840	61,707	296,293
1990	80,079	11,797	20,325	24,224	10,460	52,984	26,051	19,574	72,586	318,080
1991	72,945	11,580	22,370	35,792	12,091	57,846	33,054	21,015	82,553	349,246
1992	70,930	13,696	22,607	44,555	12,428	62,042	39,396	20,222	88,878	374,754
1993	61,221	10,359	23,498	60,242	11,229	69,917	45,321	18,397	108,847	409,031
1994	52,842	12,039	24,902	70,063	9,992	78,545	52,847	24,967	110,080	436,277
1995	48,867	12,048	23,590	76,560	10,947	87,467	59,044	26,324	116,543	461,390
1996	46,187	10,013	25,556	74,789	10,952	90,174	71,514	24,828	118,474	472,487
1997	39,924	10,470	27,198	67,715	7,054	94,991	79,445	25,509	112,865	465,171
1998	33,537	8,525	27,911	66,375	6,659	99,687	79,895	28,174	106,763	457,526
1999	37,118	9,290	29,075	54,080	7,944	108,656	81,257	28,394	102,263	458,077
2000	33,259	9,062	31,726	58,269	2,842	108,752	73,911	30,280	91,477	439,578
2001	33,979	7,643	37,204	65,396	3,561	99,744	76,482	34,341	80,974	439,324
2002	22,860	8,417	38,859	66,057	3,307	97,463	81,521	33,436	88,237	440,157
2003	20,477	7,935	40,398	67,934	3,619	100,257	86,918	38,179	68,940	434,657
2004	21,168	8,175	41,119	57,017	3,380	96,168	88,558	36,524	61,784	413,893

Reference Table IV (cont'd)
Distribution of Domestic Holdings of Government of Canada Securities
 PART B — Treasury Bills, Canada Bills, Bonds,¹ Canada Savings Bonds and Canada Premium Bonds

Year end	Persons and unincorporated businesses	Non-financial corporations	Bank of Canada	Chartered banks	Quasi-banks ²	Life insurance companies and pension funds	Public and other financial institutions ³	All levels of government ⁴	Foreign	Total
						(%)				
1976	42.65	0.94	19.60	20.61	1.70	3.42	5.41	1.74	3.93	100.00
1977	40.47	0.64	20.50	19.16	2.09	4.53	6.22	2.02	4.36	100.00
1978	37.37	0.66	19.74	16.27	2.53	6.15	6.61	2.83	7.84	100.00
1979	33.70	0.54	19.89	14.79	2.45	9.78	5.98	4.19	8.67	100.00
1980	30.26	0.69	19.78	12.48	3.46	11.57	6.94	5.30	9.52	100.00
1981	36.05	0.56	18.45	10.79	2.64	11.40	5.76	4.52	9.82	100.00
1982	37.70	2.02	13.74	10.01	2.93	11.72	8.18	4.15	9.56	100.00
1983	36.31	3.97	12.17	10.90	4.01	12.86	7.21	3.84	8.73	100.00
1984	37.01	4.13	10.47	9.24	2.98	14.64	7.30	4.37	9.87	100.00
1985	37.89	3.77	7.99	7.75	2.91	15.84	7.69	5.15	11.02	100.00
1986	32.54	2.87	8.41	8.14	3.33	15.97	8.43	5.17	15.14	100.00
1987	34.35	3.52	8.29	6.57	2.63	15.95	8.02	5.71	14.96	100.00
1988	31.57	3.15	7.51	7.70	2.73	15.48	6.94	6.27	18.65	100.00
1989	27.53	3.85	7.13	7.02	3.33	16.21	8.08	6.02	20.83	100.00
1990	25.18	3.71	6.39	7.62	3.29	16.66	8.19	6.15	22.82	100.00
1991	20.89	3.32	6.41	10.25	3.46	16.56	9.46	6.02	23.64	100.00
1992	18.93	3.65	6.03	11.89	3.32	16.56	10.51	5.40	23.72	100.00
1993	14.97	2.53	5.74	14.73	2.75	17.09	11.08	4.50	26.61	100.00
1994	12.11	2.76	5.71	16.06	2.29	18.00	12.11	5.72	25.23	100.00
1995	10.59	2.61	5.11	16.59	2.37	18.96	12.80	5.71	25.26	100.00
1996	9.78	2.12	5.41	15.83	2.32	19.08	15.14	5.25	25.07	100.00
1997	8.58	2.25	5.85	14.56	1.52	20.42	17.08	5.48	24.26	100.00
1998	7.33	1.86	6.10	14.51	1.46	21.79	17.46	6.16	23.33	100.00
1999	8.10	2.03	6.35	11.81	1.73	23.72	17.74	6.20	22.32	100.00
2000	7.57	2.06	7.22	13.26	0.65	24.74	16.81	6.89	20.81	100.00
2001	7.73	1.74	8.47	14.89	0.81	22.70	17.41	7.82	18.43	100.00
2002	5.19	1.91	8.83	15.01	0.75	22.14	18.52	7.60	20.05	100.00
2003	4.71	1.83	9.29	15.63	0.83	23.07	19.77	8.78	15.86	100.00
2004	5.11	1.98	9.93	13.78	0.82	23.23	21.40	8.82	14.93	100.00

Reference Table IV (cont'd)
Distribution of Domestic Holdings of Government of Canada Securities
 PART C — Treasury Bills and Canada Bills

Year end	Persons and unincorporated businesses	Non-financial corporations	Bank of Canada	Chartered banks	Quasi- banks	Life insurance companies and pension funds	Public and other financial institutions	All levels of government	Total
									(\$ millions)
1976	171	125	1,964	4,219	52	44	515	193	7,283
1977	394	136	2,461	4,949	143	98	1,020	311	9,512
1978	576	198	3,567	5,517	193	261	1,554	519	12,385
1979	785	165	4,345	6,690	65	245	1,550	843	14,688
1980	1,493	288	5,317	7,500	619	460	2,431	1,512	19,620
1981	1,019	369	5,431	8,597	343	560	2,187	1,082	19,588
1982	1,237	1,930	2,483	10,034	1,357	1,244	5,008	1,199	24,492
1983	3,766	5,146	2,595	12,879	3,180	2,587	5,376	1,286	36,815
1984	7,454	6,275	3,515	12,997	2,792	3,876	6,544	2,498	45,951
1985	13,340	6,517	3,985	12,629	3,651	3,924	8,129	4,136	56,311
1986	16,158	4,875	7,967	15,161	4,709	3,592	10,164	3,416	66,042
1987	17,733	7,232	9,682	11,498	3,725	4,806	9,589	5,002	69,267
1988	20,213	7,414	9,945	15,224	5,614	7,648	9,133	7,726	82,917
1989	29,156	9,668	11,124	17,410	8,116	9,664	12,908	9,251	107,297
1990	36,461	10,756	10,574	17,841	8,976	11,737	13,298	9,388	119,031
1991	30,423	10,437	13,093	24,382	9,089	12,386	17,636	10,417	127,863
1992	32,901	11,254	14,634	27,989	9,646	13,639	19,907	8,726	138,696
1993	27,459	9,657	16,876	29,901	9,222	17,085	22,336	7,151	139,687
1994	17,562	8,499	18,973	30,415	6,879	14,376	22,021	10,631	129,356
1995	16,296	9,204	18,298	30,865	7,760	15,315	25,183	10,603	133,524
1996	10,474	8,285	17,593	23,470	5,493	13,520	32,752	6,264	117,851
1997	5,966	6,858	14,233	19,448	3,133	8,944	32,653	3,803	95,038
1998	1,291	6,215	10,729	16,713	2,392	4,529	32,508	3,578	77,955
1999	8,539	6,662	8,584	9,814	3,234	8,128	36,932	3,497	85,390
2000	7,568	6,735	8,090	6,188	685	7,222	31,087	5,108	72,683
2001	8,744	6,990	11,427	9,969	675	10,401	37,154	6,838	92,198
2002	551	5,894	11,639	18,869	708	12,768	40,087	7,115	97,631
2003	1,803	5,366	11,733	26,150	943	14,443	41,335	7,647	108,420
2004	2,891	5,489	11,557	25,584	819	13,584	43,053	7,818	110,759

Reference Table IV (cont'd)
Distribution of Domestic Holdings of Government of Canada Securities
 PART D—Treasury Bills and Canada Bills

Year end	Persons and unincorporated businesses	Non-financial corporations	Bank of Canada	Chartered banks	Quasi- banks ²	Life insurance companies and pension funds	Public and other financial institutions ³	All levels of government ⁴	Total
					(%)				
1976	2.35	1.72	26.97	57.93	0.71	0.60	7.07	2.65	100.00
1977	4.14	1.43	25.87	52.03	1.50	1.03	10.72	3.27	100.00
1978	4.65	1.60	28.80	44.55	1.56	2.11	12.55	4.19	100.00
1979	5.34	1.12	29.58	45.55	0.44	1.67	10.55	5.74	100.00
1980	7.61	1.47	27.10	38.23	3.15	2.34	12.39	7.71	100.00
1981	5.20	1.88	27.73	43.89	1.75	2.86	11.16	5.52	100.00
1982	5.05	7.88	10.14	40.97	5.54	5.08	20.45	4.90	100.00
1983	10.23	13.98	7.05	34.98	8.64	7.03	14.60	3.49	100.00
1984	16.22	13.66	7.65	28.28	6.08	8.44	14.24	5.44	100.00
1985	23.69	11.57	7.08	22.43	6.48	6.97	14.44	7.34	100.00
1986	24.47	7.38	12.06	22.96	7.13	5.44	15.39	5.17	100.00
1987	25.60	10.44	13.98	16.60	5.38	6.94	13.84	7.22	100.00
1988	24.38	8.94	11.99	18.36	6.77	9.22	11.01	9.32	100.00
1989	27.17	9.01	10.37	16.23	7.56	9.01	12.03	8.62	100.00
1990	30.63	9.04	8.88	14.99	7.54	9.86	11.17	7.89	100.00
1991	23.79	8.16	10.24	19.07	7.11	9.69	13.79	8.15	100.00
1992	23.72	8.11	10.55	20.18	6.95	9.83	14.35	6.29	100.00
1993	19.66	6.91	12.08	21.41	6.60	12.23	15.99	5.12	100.00
1994	13.58	6.57	14.67	23.51	5.32	11.11	17.02	8.22	100.00
1995	12.20	6.89	13.70	23.12	5.81	11.47	18.86	7.94	100.00
1996	8.89	7.03	14.93	19.91	4.66	11.47	27.79	5.32	100.00
1997	6.28	7.22	14.98	20.46	3.30	9.41	34.36	4.00	100.00
1998	1.66	7.97	13.76	21.44	3.07	5.81	41.70	4.59	100.00
1999	10.00	7.80	10.05	11.49	3.79	9.52	43.25	4.10	100.00
2000	10.41	9.27	11.13	8.51	0.94	9.94	42.77	7.03	100.00
2001	9.48	7.58	12.39	10.81	0.73	11.28	40.30	7.42	100.00
2002	0.56	6.04	11.92	19.33	0.73	13.08	41.06	7.29	100.00
2003	1.66	4.95	10.82	23.20	0.87	13.32	38.12	7.05	100.00
2004	2.61	4.96	10.43	23.10	0.74	12.26	38.87	7.06	100.00

Reference Table IV (cont'd)
Distribution of Domestic Holdings of Government of Canada Securities
PART E—Bonds¹

Year end	Persons and unincorporated businesses	Non-financial corporations	Bank of Canada	Chartered banks	Quasi- banks	Life insurance companies and pension funds	Public and other financial institutions	All levels of government	Total
					(\$ millions)				
1976	17,761	270	6,278	4,447	664	1,392	1,758	537	33,107
1977	19,883	185	7,807	4,652	905	2,173	2,094	703	38,402
1978	22,147	205	8,434	4,379	1,344	3,477	2,463	1,202	43,651
1979	22,359	209	9,311	3,466	1,619	6,471	2,553	2,035	48,023
1980	22,760	267	10,541	2,502	2,152	8,814	3,130	2,736	52,902
1981	32,406	151	11,669	1,406	2,109	10,009	3,155	3,112	64,017
1982	41,083	337	12,945	1,199	1,931	11,907	4,169	3,455	77,026
1983	46,540	356	14,264	2,228	2,371	15,229	4,608	4,035	89,631
1984	53,294	508	13,669	2,167	2,095	20,163	5,434	4,668	101,998
1985	60,991	870	11,683	2,569	2,055	27,144	6,957	5,970	118,239
1986	54,915	1,384	10,407	2,618	2,568	31,295	8,250	7,877	119,314
1987	65,999	1,359	10,519	4,514	2,675	34,064	9,958	8,916	138,004
1988	66,378	1,220	10,661	5,891	1,878	34,812	9,895	9,460	140,195
1989	52,410	1,734	10,009	3,394	1,738	38,373	11,042	8,589	127,289
1990	43,618	1,041	9,751	6,383	1,484	41,247	12,753	10,186	126,463
1991	42,522	1,143	9,277	11,410	3,002	45,460	15,418	10,598	138,830
1992	38,029	2,442	7,973	16,566	2,782	48,403	19,489	11,496	147,180
1993	33,762	702	6,622	30,341	2,007	52,832	22,985	11,246	160,497
1994	35,280	3,540	5,929	39,648	3,113	64,169	30,826	14,336	196,841
1995	32,571	2,844	5,292	45,695	3,187	72,152	33,861	15,721	211,323
1996	35,713	1,728	7,963	51,319	5,459	76,654	38,762	18,564	236,162
1997	33,958	3,612	12,965	48,267	3,921	86,047	46,792	21,706	257,268
1998	32,246	2,310	17,182	49,662	4,267	95,158	47,387	24,596	272,808
1999	28,579	2,628	20,491	44,266	4,710	100,528	44,325	24,897	270,424
2000	25,691	2,327	23,636	52,081	2,157	101,530	42,824	25,172	275,418
2001	25,235	653	25,777	55,427	2,886	89,343	39,328	27,503	266,152
2002	22,309	2,523	27,220	47,188	2,599	84,695	41,434	26,321	254,289
2003	18,674	2,569	28,665	42,784	2,676	85,814	44,583	30,532	256,297
2004	18,277	2,686	29,526	31,433	2,561	82,620	45,505	28,706	241,314

Reference Table IV (cont'd)
Distribution of Domestic Holdings of Government of Canada Securities
PART F—Bonds¹

Year end	Persons and unincorporated businesses	Non-financial corporations	Bank of Canada	Chartered banks	Quasi- banks ²	Life insurance companies and pension funds	Public and other financial institutions ³	All levels of government ⁴	Total
					(%)				
1976	53.65	0.82	18.96	13.43	2.01	4.20	5.31	1.62	100.00
1977	51.78	0.48	20.33	12.11	2.36	5.66	5.45	1.83	100.00
1978	50.74	0.47	19.32	10.03	3.08	7.97	5.64	2.75	100.00
1979	46.56	0.44	19.39	7.22	3.37	13.47	5.32	4.24	100.00
1980	43.02	0.50	19.93	4.73	4.07	16.66	5.92	5.17	100.00
1981	50.62	0.24	18.23	2.20	3.29	15.63	4.93	4.86	100.00
1982	53.34	0.44	16.81	1.56	2.51	15.46	5.41	4.49	100.00
1983	51.92	0.40	15.91	2.49	2.65	16.99	5.14	4.50	100.00
1984	52.25	0.50	13.40	2.12	2.05	19.77	5.33	4.58	100.00
1985	51.58	0.74	9.88	2.17	1.74	22.96	5.88	5.05	100.00
1986	46.03	1.16	8.72	2.19	2.15	26.23	6.91	6.60	100.00
1987	47.82	0.98	7.62	3.27	1.94	24.68	7.22	6.46	100.00
1988	47.35	0.87	7.60	4.20	1.34	24.83	7.06	6.75	100.00
1989	41.17	1.36	7.86	2.67	1.37	30.15	8.67	6.75	100.00
1990	34.49	0.82	7.71	5.05	1.17	32.62	10.08	8.05	100.00
1991	30.63	0.82	6.68	8.22	2.16	32.75	11.11	7.63	100.00
1992	25.84	1.66	5.42	11.26	1.89	32.89	13.24	7.81	100.00
1993	21.04	0.44	4.13	18.90	1.25	32.92	14.32	7.01	100.00
1994	17.92	1.80	3.01	20.14	1.58	32.60	15.66	7.28	100.00
1995	15.41	1.35	2.50	21.62	1.51	34.14	16.02	7.44	100.00
1996	15.12	0.73	3.37	21.73	2.31	32.46	16.41	7.86	100.00
1997	13.20	1.40	5.04	18.76	1.52	33.45	18.19	8.44	100.00
1998	11.82	0.85	6.30	18.20	1.56	34.88	17.37	9.02	100.00
1999	10.57	0.97	7.58	16.37	1.74	37.17	16.39	9.21	100.00
2000	9.33	0.84	8.58	18.91	0.78	36.86	15.55	9.14	100.00
2001	9.48	0.25	9.69	20.83	1.08	33.57	14.78	10.33	100.00
2002	8.77	0.99	10.70	18.56	1.02	33.31	16.29	10.35	100.00
2003	7.29	1.00	11.18	16.69	1.04	33.48	17.40	11.91	100.00
2004	7.57	1.11	12.24	13.03	1.06	34.24	18.86	11.90	100.00

Note: Because of timing and valuation differences, the National Balance Sheet Accounts data contained in this table are not necessarily on the same basis as other data elsewhere in this publication (most of the data in this report is on a par-value basis—that is, outstanding securities are valued at par). For this reason, although the two sets of data yield very similar information, the data in this table is not strictly comparable with other data in this publication.

¹ Includes bonds denominated in foreign currencies.

² Includes Quebec savings banks, credit unions and caisses populaires, trust companies and mortgage loan companies.

³ Includes investment dealers, mutual funds, property and casualty insurance companies, sales, finance and consumer loan companies, accident and sickness branches of life insurance companies, other private financial institutions (not elsewhere included), federal public financial institutions, and provincial financial institutions.

⁴ Includes Government of Canada holdings of its own debt, provincial, municipal and hospital holdings, and holdings of the Canada Pension Plan and the Quebec Pension Plan.

⁵ May not add due to rounding.

Source: Statistics Canada, the National Balance Sheet Accounts.

Reference Table V
Non-Resident (Direct) Holdings of Government of Canada Debt

As at March 31	Marketable bonds ¹	Treasury bills and Canada bills	Total	Total as per cent of total market debt ²
		(C\$ billions)		(%)
1979	5.0	0.9	5.9	
1980	5.6	0.7	6.3	
1981	6.8	1.1	7.9	
1982	8.8	1.1	9.9	
1983	10.0	1.6	11.6	
1984	10.3	2.6	12.9	
1985	14.5	4.6	19.1	
1986	22.1	3.0	25.1	
1987	30.3	4.7	35.0	15.2
1988	33.0	9.3	42.3	16.8
1989	41.3	15.7	57.0	20.5
1990	49.9	13.3	63.2	21.4
1991	57.6	16.1	73.7	22.7
1992	63.6	23.0	86.6	24.5
1993	80.1	28.3	108.4	28.2
1994	79.3	34.0	113.3	27.3
1995	73.7	39.2	112.9	25.5
1996	84.1	37.7	121.8	25.8
1997	91.8	27.7	119.4	24.9
1998	94.3	20.0	114.3	24.4
1999	86.6	19.4	106.0	22.9
2000	85.7	14.2	99.9	21.8
2001	83.5	10.5	94.0	20.9
2002	74.0	7.4	81.4	18.3
2003	80.7	8.5	89.2	20.2
2004	57.0	9.2	66.2	15.0
2005	53.3	8.2	61.6	14.1

Note: Numbers may not add due to rounding.

¹ Includes bonds denominated in foreign currencies.

² Includes capital lease obligations. For the 1979–1986 period, market debt data (includes capital leases) is unavailable.

Source: Statistics Canada, *Canada's International Transactions in Securities*.

Reference Table VI
Fiscal 2004-05 Treasury Bill Program

Settlement date	Maturing				New issues				Net increment			Average tender yields					
	CMB ¹	3 mo	6 mo	12 mo	Total	CMB ¹	3 mo	6 mo	12 mo	Total	Cumulative	O/S ²	CMB ¹	3 mo	6 mo	12 mo	
	(\$ millions)																
April 1, 2004	2,200				2,200					0	-2,200	-2,200					
April 8, 2004	2,500	4,400	4,100		11,000		4,700	1,900	1,900	8,500	-2,500	-4,700	108,700		2.01	2.04	2.15
April 22, 2004		3,800		3,800	7,600		4,700	1,900	1,900	8,500	900	-3,800	109,600		1.94	2.01	2.23
May 6, 2004		3,800	4,500		8,300		5,000	2,000	2,000	9,000	700	-3,100	110,300		1.93	1.98	2.15
May 20, 2004		4,400		4,000	8,400		5,000	2,000	2,000	9,000	600	-2,500	110,900		2.02	2.14	2.47
May 27, 2004					0	2,500				2,500	2,500	0	113,400	2.00			
June 1, 2004					0	1,000				1,000	1,000	1,000	114,400	2.01			
June 3, 2004	2,500	5,000	4,100		11,600		5,000	2,000	2,000	9,000	-2,600	-1,600	111,800		2.02	2.15	2.55
June 4, 2004	1,000				1,000					0	-1,000	-2,600	110,800				
June 17, 2004		5,600		4,000	9,600		5,300	2,100	2,100	9,500	-100	-2,700	110,700		2.05	2.27	2.78
June 28, 2004					0	2,500				2,500	2,500	-200	113,200	1.99			
June 30, 2004		5,600	3,400		9,000		5,600	2,200	2,200	10,000	1,000	800	114,200		2.04	2.20	2.70
July 6, 2004	2,500				2,500					0	-2,500	-1,700	111,700				
July 15, 2004		4,700		4,200	8,900		5,000	2,000	2,000	9,000	100	-1,600	111,800		2.04	2.23	2.65
July 28, 2004					0	1,500				1,500	1,500	-100	113,300	1.99			
July 29, 2004		4,700	3,400		8,100		5,600	2,200	2,200	10,000	1,900	1,800	115,200		2.08	2.28	2.73
August 3, 2004	1,500				1,500					0	-1,500	300	113,700				
August 12, 2004		5,000		4,200	9,200		5,600	2,200	2,200	10,000	800	1,100	114,500		2.03	2.17	2.49
August 26, 2004		5,000	4,200		9,200		5,000	2,000	2,000	9,000	-200	900	114,300		2.14	2.36	2.71
August 27, 2004					0	1,000				1,000	1,000	1,900	115,300	1.98			
Sept. 2, 2004	1,000				1,000					0	-1,000	900	114,300				
Sept. 9, 2004		5,000		4,100	9,100		4,700	1,900	1,900	8,500	-600	300	113,700		2.33	2.56	2.93
Sept. 23, 2004		5,300	4,100		9,400		4,700	1,900	1,900	8,500	-900	-600	112,800		2.41	2.57	2.87
Sept. 28, 2004					0	1,000				1,000	1,000	400	113,800	2.20			
October 1, 2004	1,000				1,000					0	-1,000	-600	112,800				
October 7, 2004		5,600		4,100	9,700		5,600	2,200	2,200	10,000	300	-300	113,100		2.50	2.66	2.96
October 21, 2004		5,000	3,900		8,900		6,200	2,400	2,400	11,000	2,100	1,800	115,200		2.58	2.68	2.89

Reference Table VI (cont'd)
Fiscal 2004–05 Treasury Bill Program

Settlement date	Maturing				New issues				Net increment			Average tender yields					
	CMB ¹	3 mo	6 mo	12 mo	Total	CMB ¹	3 mo	6 mo	12 mo	Total	Cumulative	O/S ²	CMB ¹	3 mo	6 mo	12 mo	
																(%)	
Nov. 4, 2004		5,600		4,500	10,100		6,200	2,400	2,400	11,000	900	2,700	116,100		2.61	2.78	2.99
Nov. 18, 2004		5,600	4,000		9,600	1,750	5,600	2,200	2,200	11,750	2,150	4,850	118,250	2.53	2.70	2.83	3.05
Nov. 26, 2004					0	1,000				1,000	1,000	5,850	119,250	2.37			
Nov. 30, 2004					0	1,000				1,000	1,000	6,850	120,250	2.44			
Dec. 2, 2004	1,000	5,000	4,100		10,100		5,000	2,000	2,000	9,000	-1,100	5,750	119,150		2.56	2.62	2.74
Dec. 6, 2004	1,000				1,000					0	-1,000	4,750	118,150				
Dec. 16, 2004		4,700	4,300		9,000		4,100	1,700	1,700	7,500	-1,500	3,250	116,650		2.43	2.53	2.65
Dec. 22, 2004		4,700			0	1,500				1,500	1,500	4,750	118,150	2.39			
Dec. 30, 2004		4,700	3,400		8,100		3,800	1,600	1,600	7,000	-1,100	3,650	117,050		2.48	2.58	2.75
January 5, 2005	3,250				3,250					0	-3,250	400	113,800				
January 13, 2005		5,600	4,200		9,800		4,400	1,800	1,800	8,000	-1,800	-1,400	112,000		2.50	2.60	2.83
January 20, 2005					0	1,500				1,500	1,500	100	113,500	2.41			
January 27, 2005		6,200	3,400		9,600	1,200	5,300	2,100	2,100	10,700	1,100	1,200	114,600	2.44	2.44	2.52	2.66
February 1, 2005	1,200				1,200					0	-1,200	0	113,400				
February 3, 2005	1,500				1,500					0	-1,500	-1,500	111,900				
February 10, 2005		6,200	4,200		10,400		5,900	2,300	2,300	10,500	100	-1,400	112,000		2.46	2.54	2.75
February 18, 2005					0	2,000				2,000	2,000	600	114,000	2.38			
February 24, 2005		5,600	4,200		9,800		6,500	2,500	2,500	11,500	1,700	2,300	115,700		2.46	2.56	2.77
March 10, 2005		5,000	3,800		8,800		6,500	2,500	2,500	11,500	2,700	5,000	118,400		2.46	2.55	2.77
March 18, 2005					0	2,000				2,000	2,000	7,000	120,400	2.43			
March 24, 2005		4,100	4,100		8,200		6,500	2,500	2,500	11,500	3,300	10,300	123,700		2.55	2.70	3.04
March 29, 2005					0	2,500				2,500	2,500	12,800	126,200	2.55			
March 31, 2005					0	1,000				1,000	1,000	13,800	127,200	2.47			
Total	22,150	131,200	52,200	52,100	257,650	24,950	137,500	54,500	54,500	271,450	13,800						

¹ Cash management bill.

² Outstanding.

Source: Bank of Canada.

Reference Table VII

Fiscal 2004-05 Treasury Bill Auction Results

Auction date	Term (months)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Bid coverage	Tail (basis points)	Auction date	Term (months)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Bid coverage	Tail (basis points)
April 6, 2004	12	1,900	97.976	2.154	2,219	0.2	October 5, 2004	6	2,200	98.690	2.662	2,038	0.8
April 6, 2004	3	4,700	99.463	2.011	2,267	0.5	October 19, 2004	12	2,400	97.304	2.889	1,941	0.6
April 6, 2004	6	1,900	99.069	2.042	2,452	0.2	October 19, 2004	3	6,200	99.311	2.583	2,361	0.5
April 20, 2004	12	1,900	97.824	2.230	1,617	1.2	October 19, 2004	6	2,400	98.779	2.685	2,080	0.4
April 20, 2004	3	4,700	99.481	1.944	1,952	0.8	Nov 2, 2004	12	2,400	97.101	2.994	2,181	0.4
April 20, 2004	6	1,900	99.010	2.005	1,897	0.9	Nov 2, 2004	3	6,200	99.303	2.613	2,101	0.7
May 4, 2004	12	2,000	97.984	2.146	1,964	0.9	Nov 2, 2004	6	2,400	98.632	2.782	1,935	0.3
May 4, 2004	3	5,000	99.484	1.933	1,858	0.7	Nov 16, 2004	12	2,200	97.158	3.051	1,884	0.6
May 4, 2004	6	2,000	99.096	1.983	2,110	0.5	Nov 16, 2004	3	5,600	99.282	2.695	2,236	0.2
May 18, 2004	12	2,000	97.596	2.470	2,111	0.4	Nov 16, 2004	6	2,200	98.713	2.833	2,171	0.6
May 18, 2004	3	5,000	99.461	2.018	2,071	0.2	Nov 17, 2004	NF	1,750	99.668	2.532	3,064	1.8
May 18, 2004	6	2,000	98.944	2.141	2,268	0.5	Nov 25, 2004	CMB	1,000	99.961	2.371	1,859	2.9
May 26, 2004	CMB ¹	2,500	99.962	2.003	2,316	0.7	Nov 29, 2004	NF	1,000	99.960	2.442	3,084	2.8
May 31, 2004	NF ²	1,000	99.983	2.008	1,603	4.2	Nov 30, 2004	12	2,000	97.341	2.739	1,668	1.1
June 1, 2004	12	2,000	97.611	2.552	1,897	0.8	Nov 30, 2004	3	5,000	99.318	2.556	2,233	0.7
June 1, 2004	3	5,000	99.461	2.017	2,117	0.4	Nov 30, 2004	6	2,000	98.713	2.615	1,890	0.6
June 1, 2004	6	2,000	99.021	2.148	2,138	0.6	Dec 14, 2004	12	1,700	97.523	2.649	1,957	0.7
June 15, 2004	12	2,100	97.304	2.778	2,077	0.5	Dec 14, 2004	3	4,100	99.351	2.434	2,474	0.6
June 15, 2004	3	5,300	99.453	2.047	1,991	0.3	Dec 14, 2004	6	1,700	98.848	2.533	2,472	0.4
June 15, 2004	6	2,100	98.880	2.272	2,149	0.3	Dec 22, 2004	NF	1,500	99.908	2.389	2,601	1.1
June 28, 2004	NF	2,500	99.956	1.995	2,107	1.0	Dec 29, 2004	12	1,600	97.332	2.749	2,089	0.5
June 29, 2004	12	2,200	97.468	2.701	1,923	0.9	Dec 29, 2004	3	3,800	99.339	2.477	2,310	0.4
June 29, 2004	3	5,600	99.449	2.042	1,993	0.5	Dec 29, 2004	6	1,600	98.729	2.582	2,062	0.6
June 29, 2004	6	2,200	98.992	2.200	1,938	0.6	January 11, 2005	12	1,800	97.359	2.829	2,151	0.6
June 29, 2004	12	2,000	97.424	2.651	1,762	0.3	January 11, 2005	3	4,400	99.334	2.496	2,323	0.4
July 13, 2004	3	5,000	99.456	2.039	2,139	0.3	January 11, 2005	6	1,800	98.817	2.602	2,265	0.2
July 13, 2004	6	2,000	98.901	2.228	2,174	0.6	January 20, 2005	NF	1,500	99.908	2.407	2,954	1.3
July 27, 2004	12	2,200	97.453	2.726	1,922	0.7	January 25, 2005	12	2,100	97.415	2.661	1,688	0.6
July 27, 2004	3	5,600	99.444	2.084	2,119	0.5	January 25, 2005	3	5,300	99.350	2.437	2,319	0.3
July 27, 2004	6	2,200	98.962	2.278	2,095	0.2	January 25, 2005	6	2,100	98.758	2.523	2,211	0.2
July 28, 2004	NF	1,500	99.967	1.992	2,375	0.8	January 26, 2005	NF	1,200	99.967	2.442	3,755	0.8
August 10, 2004	12	2,200	97.579	2.488	1,908	0.6	February 8, 2005	12	2,300	97.434	2.746	1,633	0.4
August 10, 2004	3	5,600	99.457	2.035	2,093	0.3	February 8, 2005	3	5,900	99.345	2.456	1,865	0.4
August 10, 2004	6	2,200	98.928	2.173	2,205	0.6	February 8, 2005	6	2,300	98.844	2.541	2,074	0.5
August 24, 2004	12	2,000	97.471	2.706	2,046	0.8	February 17, 2005	CMB	2,000	99.687	2.384	1,733	0.6
August 24, 2004	3	5,000	99.429	2.140	2,318	1.3	February 22, 2005	12	2,500	97.316	2.766	2,040	0.4
August 24, 2004	6	2,000	98.926	2.359	2,134	1.0	February 22, 2005	3	6,500	99.343	2.464	2,139	0.1
August 26, 2004	NF	1,000	99.967	1.981	2,128	0.9	February 22, 2005	6	2,500	98.741	2.558	2,058	0.7
Sept. 7, 2004	12	1,900	97.157	2.934	2,237	0.9	March 8, 2005	12	2,500	97.409	2.774	2,129	0.5
Sept. 7, 2004	3	4,700	99.378	2.331	2,479	0.4	March 8, 2005	3	6,500	99.343	2.463	2,264	0.2
Sept. 7, 2004	6	1,900	98.738	2.564	2,314	1.3	March 8, 2005	6	2,500	98.838	2.555	2,036	0.3
Sept. 21, 2004	12	1,900	97.325	2.866	2,211	0.3	March 17, 2005	NF	2,000	99.907	2.432	2,403	1.8
Sept. 21, 2004	3	4,700	99.357	2.412	2,142	0.5	March 22, 2005	12	2,500	97.062	3.035	1,754	1.1
Sept. 21, 2004	6	1,900	98.832	2.568	2,066	0.5	March 22, 2005	3	6,500	99.321	2.546	1,786	0.9
Sept. 27, 2004	NF	1,000	99.982	2.195	3,675	0.0	March 22, 2005	6	2,500	98.670	2.704	1,914	0.6
October 5, 2004	12	2,200	97.137	2.955	2,128	0.5	March 28, 2005	NF	2,500	99.979	2.553	1,953	4.7
October 5, 2004	3	5,600	99.333	2.502	1,927	0.2	March 31, 2005	CMB	1,000	99.953	2.475	2,234	1.4
Total							271,450						

Note: Coverage is defined as the ratio of total bids at auction to the amount auctioned. Tail is defined as the high accepted yield minus the average yield.

¹ Cash management bill.

² Non-fungible cash management bill.

Source: Bank of Canada.

Reference Table VIII

Fiscal 2004–05 Canadian-Dollar Marketable Bond Program

Offering date	Delivery date	Maturity date	Maturing	Gross	Bond repurchase	Net
(\$ millions)						
Fixed-coupon bonds						
2004	2004					
April 7, 2004	April 13, 2004	September 1, 2009		300	312	-12
April 22, 2004	April 26, 2004	June 1, 2006		400	255	145
April 28, 2004	May 3, 2004	June 1, 2014		2,200	500	1,700
May 12, 2004	May 17, 2004	September 1, 2009		2,200	506	1,694
May 26, 2004	May 28, 2004	December 1, 2006		2,800	600	2,200
	June 1, 2004	*	8,238			-8,238
June 17, 2004	June 22, 2004	June 1, 2014		499	510	-11
July 14, 2004	July 19, 2004	June 1, 2037		1,500	500	1,000
July 21, 2004	July 26, 2004	September 1, 2009		300	302	-2
August 5, 2004	August 9, 2004	December 1, 2006		400	328	72
August 11, 2004	August 16, 2004	June 1, 2014		2,200	380	1,820
August 25, 2004	August 30, 2004	September 1, 2009		2,100	568	1,532
	September 1, 2004	*	6,878			-6,878
September 9, 2004	September 14, 2004	June 1, 2037		149	152	-3
September 15, 2004	September 17, 2004	December 1, 2006		2,800	206	2,594
September 23, 2004	September 28, 2004	June 1, 2014		500	665	-165
	October 1, 2004	*	274			-274
October 6, 2004	October 12, 2004	September 1, 2009		300	277	23
October 13, 2004	October 18, 2004	June 1, 2015		2,100	400	1,700
November 3, 2004	November 8, 2004	June 1, 2037		300	311	-11
November 17, 2004	November 22, 2004	September 1, 2010		2,100	600	1,500
	December 1, 2004	*	9,372			-9,372
December 8, 2004	December 10, 2004	June 1, 2007		2,800	502	2,298
December 15, 2004	December 20, 2004	June 1, 2015		500	414	86
2005	2005					
January 12, 2005	January 17, 2005	June 1, 2037		1,400	404	996
January 19, 2005	January 24, 2005	September 1, 2010		259	334	-75
February 2, 2005	February 7, 2005	June 1, 2015		2,100	500	1,600
February 9, 2005	February 11, 2005	June 1, 2007		300	319	-19
February 16, 2005	February 21, 2005	September 1, 2010		2,000	600	1,400
	March 1, 2005	*	496			-496
March 9, 2005	March 14, 2005	June 1, 2015		500	500	0
March 16, 2005	March 18, 2005	June 1, 2007		2,500	491	2,009

Reference Table VIII (cont'd)
Fiscal 2004-05 Canadian-Dollar Marketable Bond Program

Offering date	Delivery date	Maturity date	Maturing	Gross	Bond repurchase	Net
(\$ millions)						
Real Return Bonds						
June 2, 2004	June 7, 2004	December 1, 2036		400		400
September 1, 2004	September 7, 2004	December 1, 2036		300		300
December 1, 2004	December 6, 2004	December 1, 2036		400		400
March 2, 2005	March 7, 2005	December 1, 2036		300		300
Total fiscal year 2004-05			25,257	36,908	11,436	214

* Maturing date.

Source: Bank of Canada.

Reference Table IX
Fiscal 2004–05 Marketable Bond Auction Results

Auction date	Term (years)	Maturity date (%)	Coupon rate (\$ millions)	Issue amount (\$)	Average price (%)	Average yield (basis points)	Auction coverage	Tail
April 28, 2004	10	June 1, 2014	5.00	2,200	101.916	4.758	2.49	0.5
May 12, 2004	5	September 1, 2009	4.25	2,200	100.121	4.223	2.56	0.7
May 26, 2004	2	December 1, 2006	3.25	2,800	99.673	3.387	2.45	0.3
June 2, 2004	30	December 1, 2036	3.00 ¹	400	115.082	2.335	2.66	
July 14, 2004	30	June 1, 2037	5.00	1,500	96.187	5.245	2.32	0.6
August 11, 2004	10	June 1, 2014	5.00	2,200	102.436	4.686	2.20	0.3
August 25, 2004	5	September 1, 2009	4.25	2,100	100.740	4.085	2.52	0.3
September 1, 2004	30	December 1, 2036	3.00 ¹	300	115.125	2.330	2.20	
September 15, 2004	2	December 1, 2006	3.25	2,800	99.866	3.312	2.52	0.3
October 13, 2004	10	June 1, 2015	4.50	2,100	98.627	4.666	2.37	0.3
November 17, 2004	5	September 1, 2010	4.00	2,100	99.729	4.054	2.41	0.5
December 1, 2004	30	December 1, 2036	3.00 ¹	400	117.038	2.250	2.28	
December 8, 2004	2	June 1, 2007	3.00	2,800	99.944	3.024	2.43	0.4
January 12, 2005	30	June 1, 2037	5.00	1,400	102.896	4.822	2.32	0.7
February 2, 2005	10	June 1, 2015	4.50	2,100	101.405	4.329	2.31	0.3
February 16, 2005	5	September 1, 2010	4.00	2,000	101.147	3.768	2.47	0.5
March 2, 2005	30	December 1, 2036	3.00 ¹	300	118.278	2.197	3.03	
March 16, 2005	2	June 1, 2007	3.00	2,500	99.480	3.245	2.44	0.3
Total				32,200				

Note: Coverage is defined as the ratio of total bids at auction to the amount auctioned. Tail is defined as the high accepted yield minus the average yield.

¹ Real Return Bonds.

Source: Bank of Canada.

Reference Table X

Outstanding Government of Canada Canadian-Dollar Marketable Bonds as at March 31, 2005

Maturity date	Amount (\$ millions)	Coupon rate (%)	Maturity date	Amount (\$ millions)	Coupon rate (%)
Fixed-coupon bonds					
June 1, 2005	6,480	3.50	October 1, 2009	257	10.75
September 1, 2005	8,347	6.00	March 1, 2010	83	9.75
September 1, 2005	984	12.25	June 1, 2010	8,615	5.50
December 1, 2005	3,541	3.00	June 1, 2010	2,228	9.50
December 1, 2005	6,021	8.75	September 1, 2010	4,359	4.00
March 1, 2006	267	12.50	October 1, 2010	123	8.75
June 1, 2006	7,538	3.00	March 1, 2011	624	9.00
September 1, 2006	9,027	5.75	June 1, 2011	12,639	6.00
October 1, 2006	768	14.00	June 1, 2011	622	8.50
December 1, 2006	6,000	3.25	June 1, 2012	11,415	5.25
December 1, 2006	5,867	7.00	June 1, 2013	12,000	5.25
March 1, 2007	193	13.75	March 1, 2014	996	10.25
June 1, 2007	5,600	3.00	June 1, 2014	10,867	5.00
June 1, 2007	7,030	7.25	June 1, 2015	5,200	4.50
September 1, 2007	9,725	4.50	June 1, 2015	483	11.25
October 1, 2007	468	13.00	March 1, 2021	1,001	10.50
March 1, 2008	579	12.75	June 1, 2021	609	9.75
June 1, 2008	5,010	6.00	June 1, 2022	550	9.25
June 1, 2008	3,037	10.00	June 1, 2023	7,182	8.00
September 1, 2008	11,400	4.25	June 1, 2025	7,937	9.00
October 1, 2008	396	11.75	June 1, 2027	8,761	8.00
March 1, 2009	140	11.50	June 1, 2029	13,769	5.75
June 1, 2009	8,042	5.50	June 1, 2033	13,410	5.75
June 1, 2009	638	11.00	June 1, 2037	3,349	5.00
September 1, 2009	10,100	4.25			
			Total	244,277	

Reference Table X (cont'd)
Outstanding Government of Canada Canadian-Dollar Marketable Bonds as at March 31, 2005

Maturity date	Amount (\$ millions)	Coupon rate (%)
Real Return Bonds		
December 1, 2021	5,175	4.25
December 1, 2026	5,250	4.25
December 1, 2031	5,800	4.00
December 1, 2036	2,800	3.00
Total	19,025	

Source: Bank of Canada.

Reference Table XI

Government of Canada Swaps Outstanding as at March 31, 2005

Domestic interest-rate swaps			Cross-currency swaps of foreign obligations	
Maturity date	Coupon ¹ (%)	Notional amount (\$ millions)	Maturity date	Notional amount (US\$ millions)
Total		0	October 3, 2007	319.00
			January 31, 2008	43.88
			Total	362.88
Foreign interest-rate swaps				
Maturity date	Coupon ¹ (%)	Notional amount (US\$ millions)		
November 19, 2007	4.00	25.35		
November 5, 2008	5.25	200.00		
November 5, 2008	5.25	500.00		
November 5, 2008	5.25	500.00		
Total		1,225.35		

¹ Refers to the coupon of the underlying bond that was swapped.

Reference Table XI (cont'd)
Government of Canada Swaps Outstanding as at March 31, 2005

Cross-currency swaps of domestic obligations				Cross-currency swaps of domestic obligations		
Maturity date	Notional amount	Currency paid	Maturity date	Notional amount	Currency paid	Currency paid
	(US\$ millions)			(US\$ millions)		
September 1, 2005	90.72	EUR	March 1, 2006	90.72		EUR
September 1, 2005	60.48	EUR	March 1, 2006	60.48		EUR
September 1, 2005	90.72	EUR	March 1, 2006	60.48		EUR
September 1, 2005	36.29	EUR	March 1, 2006	60.48		EUR
September 1, 2005	90.72	EUR	March 1, 2006	90.72		EUR
September 1, 2005	60.48	EUR	March 1, 2006	50.00		USD
September 1, 2005	36.29	EUR	March 1, 2006	53.98		USD
September 1, 2005	60.48	EUR	September 1, 2006	60.48		EUR
September 1, 2005	90.72	EUR	October 1, 2006	60.48		EUR
September 1, 2005	90.72	EUR	October 1, 2006	50.00		USD
September 1, 2005	100.00	USD	October 1, 2006	50.00		USD
September 1, 2005	150.00	USD	October 30, 2006	250.00		USD
November 23, 2005	90.72	EUR	November 23, 2006	150.00		USD
December 1, 2005	60.48	EUR	December 1, 2006	60.48		EUR
December 1, 2005	60.48	EUR	December 1, 2006	90.72		EUR
December 1, 2005	60.4	EUR	December 1, 2006	60.48		EUR
December 1, 2005	60.48	EUR	December 1, 2006	90.72		EUR
December 1, 2005	60.48	EUR	December 1, 2006	54.95		USD
December 1, 2005	60.48	EUR	December 1, 2006	30.24		EUR
December 1, 2005	60.48	EUR	March 1, 2007	120.96		EUR
December 1, 2005	60.48	EUR	June 1, 2007	60.48		EUR
December 1, 2005	60.48	EUR	June 1, 2007	60.48		EUR
December 1, 2005	60.48	EUR	June 1, 2007	60.48		EUR
December 1, 2005	60.48	EUR	June 1, 2007	250.00		USD
December 1, 2005	60.4	EUR	June 1, 2007	250.00		USD
December 1, 2005	90.72	EUR	June 1, 2007	250.00		USD
December 1, 2005	90.72	EUR	June 1, 2007	75.00		USD
December 1, 2005	60.48	EUR	June 1, 2007	75.00		USD
December 1, 2005	60.48	EUR	October 1, 2007	60.48		EUR
December 1, 2005	60.48	EUR	October 1, 2007	60.48		EUR
December 1, 2005	60.48	EUR	October 1, 2007	60.48		EUR
December 1, 2005	50.00	USD	October 1, 2007	30.24		EUR
December 1, 2005	50.00	USD	March 1, 2008	60.48		EUR
December 1, 2005	50.00	USD	March 1, 2008	90.72		EUR
December 1, 2005	500.00	USD	March 1, 2008	50.00		USD
December 1, 2005	54.05	USD	March 1, 2008	50.00		USD

Reference Table XI (cont'd)
Government of Canada Swaps Outstanding as at March 31, 2005

Cross-currency swaps of domestic obligations				Cross-currency swaps of domestic obligations		
Maturity date	Notional amount	Currency paid		Maturity date	Notional amount	Currency paid
(US\$ millions)				(US\$ millions)		
March 1, 2008	50.00	USD		June 1, 2009	90.72	EUR
March 1, 2008	50.00	USD		June 1, 2009	90.72	EUR
March 1, 2008	100.00	USD		June 1, 2009	90.72	EUR
March 1, 2008	75.00	USD		June 1, 2009	60.48	EUR
March 1, 2008	50.00	USD		June 1, 2009	60.48	EUR
March 1, 2008	200.00	USD		June 1, 2009	90.72	EUR
June 1, 2008	60.48	EUR		June 1, 2009	90.72	EUR
June 1, 2008	60.48	EUR		June 1, 2009	60.48	EUR
June 1, 2008	60.48	EUR		June 1, 2009	70.00	USD
June 1, 2008	60.48	EUR		June 1, 2009	65.00	USD
June 1, 2008	50.00	USD		June 1, 2009	70.00	USD
June 1, 2008	50.00	USD		June 1, 2009	50.00	USD
June 1, 2008	100.00	USD		June 1, 2009	100.00	USD
June 1, 2008	100.00	USD		June 1, 2009	50.00	USD
June 1, 2008	100.00	USD		June 1, 2009	100.00	USD
June 1, 2008	250.00	USD		June 1, 2009	100.00	USD
June 1, 2008	50.00	USD		October 1, 2009	90.72	EUR
September 30, 2008	50.00	USD		October 1, 2009	60.48	EUR
October 1, 2008	90.72	EUR		October 1, 2009	60.48	EUR
October 1, 2008	90.72	EUR		October 1, 2009	60.48	EUR
October 1, 2008	60.48	EUR		October 1, 2009	60.48	EUR
October 1, 2008	60.48	EUR		October 1, 2009	60.48	EUR
October 1, 2008	70.00	USD		October 1, 2009	60.48	EUR
October 1, 2008	50.00	USD		October 1, 2009	60.48	EUR
October 1, 2008	70.00	USD		October 1, 2009	60.48	EUR
March 1, 2009	90.72	EUR		October 1, 2009	120.96	EUR
March 1, 2009	60.48	EUR		October 1, 2009	60.48	EUR
March 1, 2009	70.00	USD		October 1, 2009	60.48	EUR
March 1, 2009	50.00	USD		October 1, 2009	60.48	EUR
March 1, 2009	75.00	USD		October 1, 2009	90.72	EUR
March 1, 2009	75.00	USD		October 1, 2009	70.42	USD
March 1, 2009	100.00	USD		October 1, 2009	75.00	USD
March 1, 2009	50.00	USD		October 1, 2009	82.94	USD
March 1, 2009	50.00	USD		October 1, 2009	80.66	USD
March 1, 2009	65.00	USD		October 1, 2009	80.69	USD

Reference Table XI (cont'd)

Cross-currency swaps of domestic obligations				Cross-currency swaps of domestic obligations			
Maturity date	Notional amount	Currency paid		Maturity date	Notional amount	Currency paid	
(US\$ millions)				(US\$ millions)			
March 1, 2010	60.48	EUR		October 1, 2010	50.00	USD	
March 1, 2010	60.48	EUR		March 1, 2011	50.00	USD	
March 1, 2010	60.48	EUR		March 1, 2011	75.00	USD	
March 1, 2010	60.48	EUR		March 1, 2011	75.00	USD	
March 1, 2010	90.72	EUR		March 1, 2011	50.00	USD	
June 1, 2010	60.48	EUR		March 11, 2011	75.00	USD	
June 1, 2010	60.48	EUR		June 1, 2011	60.48	EUR	
June 1, 2010	60.48	EUR		June 1, 2011	60.48	EUR	
June 1, 2010	60.48	EUR		June 1, 2011	90.72	EUR	
June 1, 2010	60.48	EUR		June 1, 2011	50.00	USD	
June 1, 2010	48.38	EUR		June 1, 2011	75.00	USD	
June 1, 2010	60.48	EUR		June 1, 2011	75.00	USD	
June 1, 2010	60.48	EUR		June 1, 2011	75.00	USD	
June 1, 2010	36.29	EUR		June 1, 2011	50.00	USD	
June 1, 2010	60.48	EUR		June 1, 2011	50.00	USD	
June 1, 2010	60.48	EUR		June 1, 2011	50.00	USD	
June 1, 2010	60.48	EUR		June 1, 2011	50.00	USD	
June 1, 2010	60.48	EUR		June 1, 2011	50.00	USD	
June 1, 2010	60.48	EUR		June 1, 2011	50.00	USD	
June 1, 2010	60.48	EUR		June 1, 2011	75.00	USD	
June 1, 2010	60.48	EUR		June 1, 2011	50.00	USD	
June 1, 2010	60.48	EUR		June 1, 2012	60.48	EUR	
June 1, 2010	74.61	JPY		June 1, 2012	60.48	EUR	
June 1, 2010	50.00	USD		June 1, 2012	100.00	USD	
October 1, 2010	60.48	EUR		June 1, 2012	50.00	USD	
October 1, 2010	60.48	EUR		June 1, 2012	75.00	USD	
October 1, 2010	90.72	EUR		June 1, 2012	75.00	USD	
October 1, 2010	90.72	EUR		June 1, 2012	75.00	USD	
October 1, 2010	48.38	EUR		June 1, 2012	50.00	USD	
October 1, 2010	90.72	EUR		June 1, 2012	50.00	USD	
October 1, 2010	60.48	EUR		June 1, 2012	75.00	USD	
October 1, 2010	60.48	EUR		June 1, 2012	75.00	USD	
October 1, 2010	90.72	EUR		June 1, 2012	50.00	USD	

Reference Table XII
Bond Buyback Program—Operations in 2004–05

Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)	Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)
Buyback on cash basis April 28, 2004	June 1, 2010	5.50	85	August 25, 2004	June 1, 2007	7.25	15
	June 1, 2021	9.75	280		June 1, 2008	6.00	348
	June 1, 2022	9.25	25		June 1, 2008	10.00	6
	June 1, 2023	8.00	90		June 1, 2009	5.50	50
	June 1, 2025	9.00	3		June 1, 2010	5.50	140
	June 1, 2027	8.00	17		June 1, 2010	9.50	9
Total			500		Total		568
May 12, 2004	June 1, 2007	7.25	100	September 15, 2004	September 1, 2006	5.75	131
	June 1, 2009	5.50	299		June 1, 2007	7.25	45
	June 1, 2010	5.50	93		June 1, 2008	6.00	25
	June 1, 2010	5.50	14		June 1, 2009	5.50	5
	Total		506		Total		206
May 26, 2004	September 1, 2006	5.75	195	October 13, 2004	March 15, 2014	10.25	150
	June 1, 2007	7.25	140		March 15, 2021	10.50	37
	June 1, 2008	6.00	190		June 1, 2021	9.75	79
	June 1, 2009	5.50	75		June 1, 2023	8.00	85
					June 1, 2025	9.00	40
	Total		600		June 1, 2027	8.00	9
July 14, 2004	March 15, 2021	10.50	60	November 17, 2004	Total		400
	June 1, 2021	9.75	19		June 1, 2008	6.00	177
	June 1, 2022	9.25	31		June 1, 2008	10.00	9
	June 1, 2023	8.00	130		June 1, 2009	5.50	50
	June 1, 2025	9.00	156		June 1, 2010	5.50	175
	June 1, 2027	8.00	104		June 1, 2011	6.00	189
Total			500		Total		600
August 11, 2004	June 1, 2010	5.50	290	December 8, 2004	September 1, 2007	4.50	225
	March 15, 2014	10.25	30		June 1, 2008	6.00	90
	June 1, 2021	9.75	4		June 1, 2009	5.50	184
	June 1, 2022	9.25	1		June 1, 2009	11.00	3
	June 1, 2023	8.00	10		Total		502
	June 1, 2025	9.00	25				
June 1, 2027	8.00	20					
Total			380				

Reference Table XII (cont'd)
Bond Buyback Program—Operations in 2004–05

Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)	Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)
January 12, 2005	March 15, 2021	10.50	4	June 17, 2004	June 1, 2011	6.00	350
	June 1, 2021	9.75	27		March 15, 2014	10.25	118
	June 1, 2022	9.25	3		March 15, 2021	10.50	3
	June 1, 2023	8.00	85		June 1, 2021	9.75	5
	June 1, 2025	9.00	139		June 1, 2023	8.00	35
	June 1, 2027	8.00	65		Total		510
February 2, 2005	June 1, 2029	5.75	81	July 21, 2004	June 1, 2007	7.25	10
	Total		404		October 1, 2007	13.00	2
	June 1, 2011	6.00	148		March 1, 2008	12.75	2
	June 1, 2012	5.25	150		June 1, 2008	6.00	50
	March 15, 2014	10.25	102		March 1, 2009	11.50	4
	June 1, 2023	8.00	100		June 1, 2009	5.50	181
February 16, 2005	Total		500	August 5, 2004	June 1, 2010	5.50	16
	June 1, 2008	6.00	265		June 1, 2010	9.50	37
	June 1, 2009	5.50	24		Total		302
	June 1, 2010	5.50	125		September 1, 2006	5.75	55
	June 1, 2010	9.50	6		June 1, 2007	7.25	270
	June 1, 2011	6.00	159		June 1, 2008	10.00	2
March 16, 2005	June 1, 2011	8.50	20	September 9, 2004	Total		328
	Total		600		June 1, 2021	9.75	28
	September 1, 2007	4.50	290		June 1, 2022	9.25	15
	June 1, 2008	6.00	200		June 1, 2023	8.00	30
	June 1, 2008	10.00	1		June 1, 2025	9.00	30
	Total		491		June 1, 2029	5.75	50
Buyback on switch basis April 7, 2004	Grand Total		6,757	September 23, 2004	Total		152
	June 1, 2008	6.00	68		June 1, 2010	5.50	107
	October 1, 2008	11.75	2		March 1, 2011	9.00	8
	June 1, 2009	5.50	235		June 1, 2011	6.00	550
	October 1, 2009	10.75	7		Total		665
	Total		312		June 1, 2008	6.00	116
April 22, 2004	September 1, 2006	5.75	72	October 6, 2004	October 1, 2008	11.75	4
	June 1, 2007	7.25	100		March 1, 2009	11.50	5
	June 1, 2008	6.00	76		October 1, 2009	10.75	2
	June 1, 2008	10.00	7		June 1, 2010	9.50	150
	Total		255		Total		277

Reference Table XII (cont'd)
Bond Buyback Program—Operations in 2004-05

Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)	Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)
November 3, 2004	June 1, 2021	9.75	140	Cash management bond buyback April 6, 2004	June 1, 2004	3.50	1,030
	June 1, 2023	8.00	125		June 1, 2004	6.50	20
	June 1, 2025	9.00	46		September 1, 2004	5.00	450
	Total		311		Total		1,500
December 15, 2004	June 1, 2011	6.00	150	April 20, 2004	June 1, 2004	3.50	393
	March 15, 2014	10.25	161		June 1, 2004	6.50	106
	June 1, 2021	9.75	51		September 1, 2004	5.00	14
	June 1, 2025	9.00	52		December 1, 2004	4.25	988
	Total		414		Total		1,500
January 19, 2005	June 1, 2008	6.00	225	May 4, 2004	June 1, 2004	3.50	228
	June 1, 2010	5.50	100		September 1, 2004	5.00	459
	October 1, 2010	8.75	9		Total		686
	Total		334				
February 9, 2005	September 1, 2006	5.75	145	June 1, 2004	September 1, 2004	5.00	300
	October 1, 2006	14.00	2		December 1, 2004	4.25	100
	March 1, 2007	13.75	3		June 1, 2005	3.50	374
	September 1, 2007	4.50	160		Total		774
	October 1, 2007	13.00	5	June 15, 2004	December 1, 2004	4.25	100
	June 1, 2008	6.00	4		June 1, 2005	3.50	200
	Total		319		Total		300
March 9, 2005	June 1, 2011	6.00	265	June 29, 2004	September 1, 2004	5.00	325
	June 1, 2012	5.25	35		December 1, 2004	4.25	100
	March 15, 2014	10.25	143		December 1, 2004	9.00	25
	June 1, 2025	9.00	57		June 1, 2005	3.50	550
	Total		500		Total		1,000
	Grand Total		4,680	July 13, 2004	September 1, 2004	5.00	214
					December 1, 2004	4.25	105
					Total		319

Reference Table XII (cont'd)
Bond Buyback Program—Operations in 2004–05

Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)	Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)
July 27, 2004	September 1, 2004	5.00	16	December 29, 2004	September 1, 2005	6.00	256
	December 1, 2004	4.25	518		December 1, 2005	3.00	300
	December 1, 2004	9.00	50		December 1, 2005	8.75	69
	Total		584		Total		625
August 10, 2004	September 1, 2004	5.00	230	January 11, 2005	September 1, 2005	6.00	30
	December 1, 2004	4.25	400		December 1, 2005	3.00	375
	June 1, 2005	3.50	50		December 1, 2005	8.75	28
	Total		680		Total		433
September 7, 2004	June 1, 2005	3.50	100	January 25, 2005	September 1, 2005	6.00	187
	September 1, 2005	6.00	410		Total		187
	September 1, 2005	12.25	45	February 8, 2005	September 1, 2005	6.00	200
	Total		555		December 1, 2005	3.00	455
September 21, 2004	September 1, 2005	6.00	97		December 1, 2005	8.75	13
	Total		97		Total		668
October 5, 2004	December 1, 2004	4.25	130	February 22, 2005	September 1, 2005	6.00	100
	September 1, 2005	6.00	253		December 1, 2005	3.00	140
	September 1, 2005	12.25	4		December 1, 2005	8.75	138
	Total		387		Total		378
October 19, 2004	December 1, 2004	4.25	476	March 8, 2005	June 1, 2005	3.50	42
	Total		476		December 1, 2005	3.00	94
November 2, 2004	December 1, 2004	4.25	478		December 1, 2005	8.75	64
	December 1, 2004	9.00	18		Total		200
	September 1, 2005	12.25	4	March 22, 2005	June 1, 2005	3.50	4
December 14, 2004	Total		500		September 1, 2005	6.00	228
	September 1, 2005	6.00	220		December 1, 2005	3.00	20
	December 1, 2005	3.00	575		Total		252
	December 1, 2005	8.75	40		Grand Total		12,936
	Total		835				

Source: Bank of Canada.

Reference Table XIII
Canada Savings Bonds and Canada Premium Bonds, Fiscal 1983-84 to Fiscal 2004-05

Fiscal year	Gross sales	Net change (\$ millions)	Outstanding at fiscal year end
1983-84	11,584	5,650	38,403
1984-85	12,743	3,764	42,167
1985-86	15,107	2,440	44,607
1986-87	9,191	-22	44,585
1987-88	17,450	8,921	53,506
1988-89	14,962	-5,456	48,050
1989-90	9,338	-6,813	41,237
1990-91	6,720	-6,500	34,737
1991-92	9,588	1,151	35,888
1992-93	9,235	-1,172	34,716
1993-94	5,364	-3,089	31,627
1994-95	7,506	-96	31,531
1995-96	4,612	10	31,541
1996-97	5,747	2,050	33,591
1997-98	4,951	-2,796	30,795
1998-99	4,844	-2,187	28,608
1999-00	2,669	-1,510	27,098
2000-01	3,188	-531	26,567
2001-02	2,728	-2,283	24,284
2002-03	3,523	-1,406	22,878
2003-04	2,881	-1,350	21,528
2004-05	1,445	-2,285	19,243

Note: Figures are in accordance with Bank of Canada audited reports, which may vary from Public Accounts reports due to differences in classification.

Source: Bank of Canada.

Reference Table XIV

Crown Corporation Borrowings as at March 31, 2005

Borrowings from the market	1997	1998	1999	2000	2001	2002	2003	2004	2005
				(\$ millions)					
Export Development Canada	7,820	10,077	12,967	16,888	18,406	20,481	20,375	17,178	16,191
Canadian Wheat Board ¹	6,474	6,698	6,786	542	425	397	378	12	6
Business Development Bank of Canada	3,371	3,839	4,223	4,723	5,102	5,726	6,263	7,302	7,432
Farm Credit Canada	1,926	3,026	4,317	5,083	5,695	7,096	8,082	9,209	10,181
Canada Mortgage and Housing Corporation	7,866	9,934	10,633	10,801	11,672	11,372	11,091	10,441	9,573
Petro-Canada Ltd.	432	443	471	338	0	0	0	0	0
Canada Ports Corporation	0	3	79	69	0	0	0	0	0
Canada Post Corporation	n/a	n/a	n/a	150	56	63	114	108	71
Other	226	258	222	46	44	40	39	45	36
Total	28,115	34,278	39,698	38,640	41,400	45,175	46,342	44,295	43,490

¹ Effective December 31, 1998, the Canadian Wheat Board (CWB) ceased to be an agent of Her Majesty and a Crown corporation under the Financial Administration Act. Borrowings subsequent to this date at March 31, 2005, as a non-agent are \$5,378 million. Therefore, total borrowings of the CWB are \$5,384 million (\$6 million + \$5,378 million).

Borrowings from the Consolidated Revenue Fund	1997	1998	1999	2000	2001	2002	2003	2004	2005
				(\$ millions)					
Canada Mortgage and Housing Corporation	6,939	6,708	6,298	6,076	5,852	5,626	5,408	5,189	4,999
Canada Deposit Insurance Corporation	855	395	0	0	0	0	0	0	0
Farm Credit Canada	2,507	1,877	1,041	805	578	0	0	0	0
Other	203	179	121	62	91	101	38	66	65
Total	10,504	9,159	7,460	6,943	6,521	5,727	5,446	5,255	5,064

Note: Figures do not include "allowance for valuation."

Source: *Public Accounts of Canada*.

DEBT MANAGEMENT REPORT

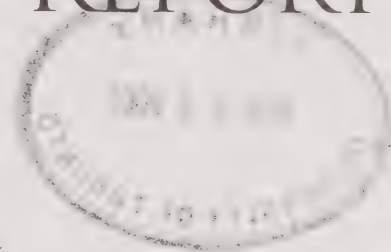
2005–2006



CANADA'S NEW GOVERNMENT

DEBT MANAGEMENT REPORT

2005–2006





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Foreword by the Minister of Finance

I am pleased to table in Parliament the Government of Canada's *Debt Management Report* for fiscal year 2005–06. The report provides a full and transparent account of how Canada's debt is managed.

Canada has made great inroads in reducing its federal debt, wiping over \$80 billion from its books and reducing the debt burden to its lowest level in a quarter of a century. This is a significant investment in the financial security of our children and grandchildren.

At the same time, the Government has set aside the resources needed to pursue such national priorities as cracking down on crime, offering more choice in child care, reducing taxes and taking the necessary steps to restore fiscal balance to our country.

This year and going forward, the Government plans to achieve annual debt reduction of \$3 billion, while reducing growth in program spending to a more sustainable rate. Thanks to this approach, we will be able to reach our debt-to-GDP (gross domestic product) goal of 25 per cent by 2013–14. This reduced debt burden will offer Canada new opportunities to pursue such goals as an improved quality of life, a cleaner environment and a stronger economic union.

The Government's improved financial status has provided challenges for debt management, most notably maintaining a well-functioning government securities market, while adjusting the structure of the debt to reduce its cost for taxpayers. This year's *Debt Management Report* highlights recent debt management initiatives, including:

- Continuing to lower debt costs by reducing the fixed-rate component of the debt toward 60 per cent from two-thirds by 2007–08.
- Maintaining the liquidity of new Government of Canada bond issues through continued buybacks of outstanding debt and making some new issues fungible with existing bond issues.
- Adjusting the operational framework for auctions to promote dealer and investor participation.
- Assessing the merits of consolidating the borrowing activity of major government-backed entities with those of the federal government.

By remaining true to its commitments and the core values of Canadians, our government will ensure the country's economy remains secure and prosperous today and for future generations.

The Honourable James M. Flaherty, P.C., M.P.
Minister of Finance

Ottawa, November 2006

Purpose of This Publication

This edition of the *Debt Management Report* provides a detailed account of the Government of Canada's borrowing and cash operations for fiscal year April 1, 2005 to March 31, 2006.

It provides a comprehensive report on the environment in which the debt is managed, the composition and changes in the debt during the year, and the implementation of planned borrowing operations and initiatives set out in the 2005–06 *Debt Management Strategy*, published in March 2005. Reference tables containing statistics on the operation of debt programs are provided at the end of the report.

The information contained in this report is designed for a range of interested parties and to ensure transparency and accountability in Government of Canada borrowing and cash management activities. Information on the management of the foreign reserves is provided in a separate report, the *Report on the Management of Canada's Official International Reserves*. The *Debt Management Strategy*, the *Debt Management Report* and the *Report on the Management of Canada's Official International Reserves* are tabled annually in Parliament and are available on the Department of Finance website at www.fin.gc.ca.

Federal Debt Management

Management of the federal debt involves two major activities: actively managing the portion of the debt that is borrowed in financial markets; and investing part of the proceeds of borrowing in liquid assets until needed for operations. As of March 31, 2006, the market debt was \$427.3 billion, composed of marketable bonds, treasury bills, retail debt, foreign currency debt and Canada Pension Plan (CPP) bonds. The Government held \$21.1 billion of domestic cash balances.

	(C\$ billions)
Market Debt	
<i>Payable in Canadian currency</i>	
Marketable bonds	261.1
(fixed-rate bonds with 2-, 5-, 10- and 30-year maturities and Real Return Bonds with 30-year maturities)	
Treasury bills and CMBs	131.6
(zero-coupon securities with 1-day to 12-month maturities)	
Retail debt	17.3
(Canada Savings Bonds and Canada Premium Bonds)	
CPP bonds	3.1
<i>Payable in foreign currency</i>	
Marketable bonds and foreign currency notes	9.4
(fixed-rate bonds, Canada notes and Euro Medium-Term Notes)	
Canada bills	4.7
(zero-coupon securities with 1- to 9-month maturities)	
Total market debt	427.3
Liquid Financial Assets	
Short-term deposits with financial institutions	18.0

Source: *Public Accounts of Canada*.



This document is structured as follows:

- The introduction provides highlights of the debt program for 2005–06, as well as information related to governance and the debt strategy framework.
- Part I describes the fiscal environment in which the debt is managed and the composition of market debt.
- Part II reports on the implementation of borrowing program initiatives against the 2005–06 debt strategy by major theme: cost and risk of the debt structure; liquidity in the Government of Canada securities market; review of borrowing framework policies; and participation at government securities auctions.
- Part III provides measures of outcomes during 2005–06 of domestic program operations and auction participation; indicators of secondary market activity; and indicators of foreign reserves funding.¹
- Annex 1 explains the composition of the federal debt, Annex 2 lists treasury evaluations performed since 1992, Annex 3 contains a glossary of debt management terms and Annex 4 contains contact information.
- Reference tables provide historical information on debt-related activities.

¹ *The Report on the Management of Canada's Official International Reserves*, available at www.fin.gc.ca/toce/2006/oir06_e.html, provides further information on the performance of the reserves portfolio.



Introduction

Highlights

Continued Decline in Federal Indebtedness

In 2005–06, the level of federal indebtedness continued to decline. On a full accrual basis, the federal debt was reduced by \$13.2 billion to \$481.5 billion, down \$81.4 billion from its peak in 1996–97. With a budgetary surplus of \$13.2 billion and a net requirement from non-budgetary transactions of \$6.4 billion, there was a financial source of \$6.8 billion in 2005–06. With this financial source, \$6.3 billion of unmatured debt was retired and cash balances were increased by \$0.5 billion.

Debt-servicing charges were down \$0.3 billion to \$33.8 billion from fiscal year 2004–05, reflecting the impact of a decline of \$6.2 billion in the stock of interest-bearing debt. Gross public debt charges as a percentage of interest-bearing debt was unchanged from last year's rate of 5.6 per cent. Debt-servicing charges were down \$15.6 billion from fiscal year 1996–97 (for more information, see the 2005–06 *Annual Financial Report of the Government of Canada* at www.fin.gc.ca/purl/afr-e.html).

Adjusting the Structure of the Market Debt

Adjustments in the level of treasury bill and net bond issuance continued the process begun in 2003–04 of reducing the fixed-rate share of the debt from two-thirds to a target of 60 per cent by 2007–08. The fixed-rate share fell from 63.1 per cent to 62.5 per cent over the course of the year. The stock of treasury bills and cash management bills increased by \$4.4 billion to \$131.6 billion, while the stock of nominal bonds declined by \$6.9 billion to \$237.3 billion in 2005–06.

Maintaining a Liquid Government Securities Market

The main challenge in managing the federal debt in recent years has been to support the maintenance of a liquid, well-functioning government securities market as a source of stable low-cost funding in the face of declining borrowing requirements. To this end, debt operations during the 2005–06 fiscal year continued to focus on maintaining the liquidity of new issues through continued buybacks of outstanding debt and adjusting the new 2-year issuance to take advantage of fungibility (i.e. the ability to combine different bonds that share the same maturity date) with existing bond issues.

In November 2005, officials from the Department of Finance and the Bank of Canada consulted with interested parties on issues relating to the design and operation of the Government of Canada's debt programs for fiscal year 2006–07 and beyond. The consultations supported the initiative to maintain liquidity through fungibility for 2006–07 by forgoing one 5-year auction that is fungible with a previous 10-year benchmark, as announced in the 2006–07 *Debt Management Strategy* (for more information, see *Debt Strategy Consultations 2006/07* at www.bankofcanada.ca/en/notices_fmd/2005/not281005.html and the 2006–07 *Debt Management Strategy* at www.fin.gc.ca/toce/2006/dms06e.html).



Operational Initiatives

Operational changes made in 2005–06 to encourage participation and promote liquid and efficient markets included: advancing the timing of bond auctions from 12:30 p.m. to 12:00 p.m.; advancing the timing of cash bond buybacks from 1:00 p.m. to 12:20 p.m.; and reducing the turnaround time in which auction and buyback results are made public.

An evaluation of the debt distribution framework for Government of Canada securities was completed during the year. Changes to the framework for auctions, which included adjustments in auction access for dealers and customers and changes to minimum bidding obligations of dealers, were announced on the Bank of Canada's website in August 2005 (for more information, see www.bank-banque-canada.ca/en/notices_fmd/2005/not080805.html).

Review of the Crown Borrowing Framework

An external evaluation of the borrowing framework used by major federal government-backed entities² was completed by an external evaluator in June 2005. It was observed that consolidation of Crown borrowing activity with the federal borrowing program could support the liquidity of the Government of Canada securities market and result in a reduction in aggregated borrowing costs. It was also noted that a range of issues required further analysis to assess the merits of such an initiative. Follow-up analysis was undertaken in consultation with the Crown corporations. This process was ongoing at the time this report was prepared.

² These entities comprise six "Borrowers": four Crown corporations (the Business Development Bank of Canada, Canada Mortgage and Housing Corporation, Export Development Canada and Farm Credit Canada) and two non-Crown corporations (the Canada Housing Trust and the Canadian Wheat Board). While each Borrower issues debt in its own name, all of their debt issues are backed by the full faith and credit of the Government.



Debt Strategy Framework

Governance

Part IV of the Financial Administration Act empowers the Minister of Finance to issue securities and to do any other thing related to the borrowing of money that the Minister considers appropriate. Section 49 of the act requires the Minister to table in the House of Commons, within 45 sitting days after the tabling of the *Public Accounts of Canada*, a report on the activities of the Minister in relation to the management of the public debt. This report is intended to fulfill this obligation and to support public transparency and accountability.

Responsibility for strategic planning and the operational management of the market debt and liquid assets, including the foreign exchange reserves, all of which is termed “funds management,” is jointly borne by officials at the Department of Finance and the Bank of Canada. The Bank of Canada acts as fiscal agent for the Minister of Finance in issuing debt, investing funds and conducting other market operations (see www.fin.gc.ca/treas/Goveev/TMGF_1e.html).

The oversight of activity is carried out through a Funds Management Committee (FMC), which comprises senior management from the Department of Finance and the Bank of Canada. The FMC advises the Minister of Finance on policy and strategy, oversees the implementation of approved policy and plans, and reviews performance outcomes.

The FMC is supported by a Risk Committee (RC), whose mandate is to oversee and advise on the risk management policy and to report to the FMC on financial risk positions. The Financial Risk Office at the Bank of Canada provides analytical support to the RC in this role and is responsible for monitoring and regularly reporting on the financial performance and position of certain financial assets and foreign-currency-denominated derivatives, including market, credit, operational, liquidity and legal risks.

In order to inform future decision making and to support transparency and accountability, different aspects of the Government of Canada’s treasury activities are reviewed periodically under the Department of Finance’s treasury evaluation program. The program’s purpose is to assess the frameworks and processes used in the management of wholesale and retail market debt, cash and reserves as well as the treasury activities of other entities under the authority of the Minister of Finance (see the section “Program Reviews and Evaluations” and Annex 2).



Objectives and Principles

The federal debt strategy covers the management of federal market debt and operational activities related to it, including the management of cash balances and the funding of the foreign exchange reserves.

Debt and cash management are conducted in view of objectives and principles. All funds management activities are conducted in view of overarching principles.

Objectives

The fundamental objective of debt and cash management is to raise stable and low-cost funding to meet the operational needs of the Government of Canada.

An associated objective is to maintain a well-functioning market in Government of Canada securities, which helps to keep debt costs low and is of benefit to domestic market participants.

Principles

Transparency, Regularity and Liquidity

The design and implementation of the debt program should emphasize transparency, regularity and liquidity to support a well-functioning government securities market. The Government should consult regularly with market participants to ensure the integrity and attractiveness of the market for dealers and investors.

Prudence

Prudence should be pursued by managing the structure of the debt, by raising funds for operational needs using a variety of instruments denominated in the currency of need, and by managing exposure to credit risk through diversification.

Overarching Funds Management Principles

- Risk management: debt and asset management activities should be conducted in line with clear operational and risk guidelines, and risk monitoring and oversight should be independent of treasury management operations.
- Efficiency and effectiveness: policy and operational standards should take into account, to the extent possible, the leading practices of other comparable sovereigns. Regular evaluations should be conducted to ensure the efficiency and effectiveness of the governance framework, policy initiatives and operations.
- Reporting: Information on funds management plans, activities and outcomes should be made publicly available in a timely manner so as to facilitate understanding and accountability to Canadians and domestic market participants.

Part I: 2005–2006 Debt Management Context

Since the annual debt-servicing cost is the largest single budgetary expense, effective management of the federal debt is important to all Canadians. This section provides an overview of the context within which 2005–06 debt management decisions were taken.

The Budgetary Context

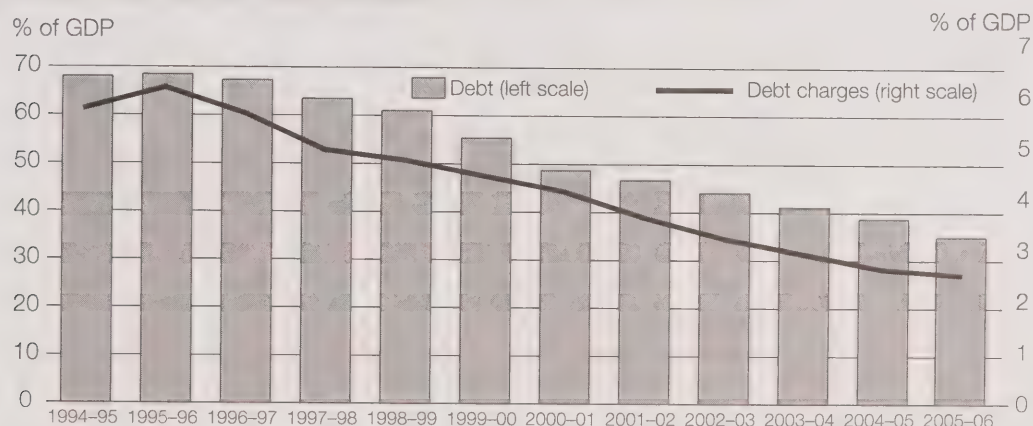
Budgetary Outcome and Public Debt Costs

A budgetary surplus of \$13.2 billion was recorded in 2005–06, the ninth consecutive surplus. The federal debt has been reduced by \$81.4 billion since its peak in 1996–97. The federal debt-to-GDP (gross domestic product) ratio has fallen 33.3 percentage points from its peak of 68.4 per cent in 1995–96 to 35.1 per cent in 2005–06 (see Chart 1), its lowest level since 1981–82. As announced in the 2006 budget, a debt-to-GDP ratio of 25 per cent is to be achieved by 2013–14.

In 2005–06, 15.2 cents of every dollar of revenue was spent to pay interest on the public debt, down from a peak of almost 38 cents in 1990–91. Public debt charges as a percentage of GDP declined to 2.5 per cent in 2005–06 from 2.6 per cent in 2004–05 (see Chart 1). In 2005–06, gross public debt charges as a percentage of interest-bearing debt was unchanged from last year's rate of 5.6 per cent (for detailed information, see the 2005–06 *Annual Financial Report of the Government of Canada* at www.fin.gc.ca/purl/afr-e.html).

Chart 1

Federal Debt-to-GDP Ratio



Source: Department of Finance.



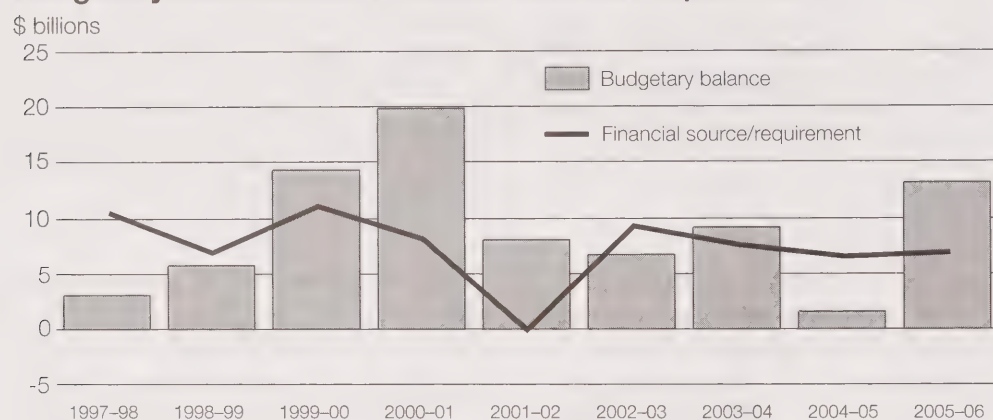
Financial Source/Requirement

The key budgetary reference point for debt management is the financial source/requirement. While the budgetary balance is presented on a full accrual basis, recognizing revenues and expenses when they are incurred, the financial source/requirement reflects current- and prior-year budgetary items, as well as the cash requirements for non-budgetary transactions. As such, the financial source/requirement drives the changes in the market debt and in the level of financial assets.

In 2005–06, the budgetary surplus of \$13.2 billion and a net requirement of funds from non-budgetary transactions of \$6.4 billion produced a financial source of \$6.8 billion (see Chart 2). This compares to a financial source of \$6.6 billion in 2004–05, \$7.6 billion in 2003–04 and \$9.4 billion in 2002–03. The financial source contributed to a \$6.3-billion reduction in unmatured debt and a \$0.5-billion increase in cash balances at year-end.

Chart 2

Budgetary Balance and Financial Source/Requirement



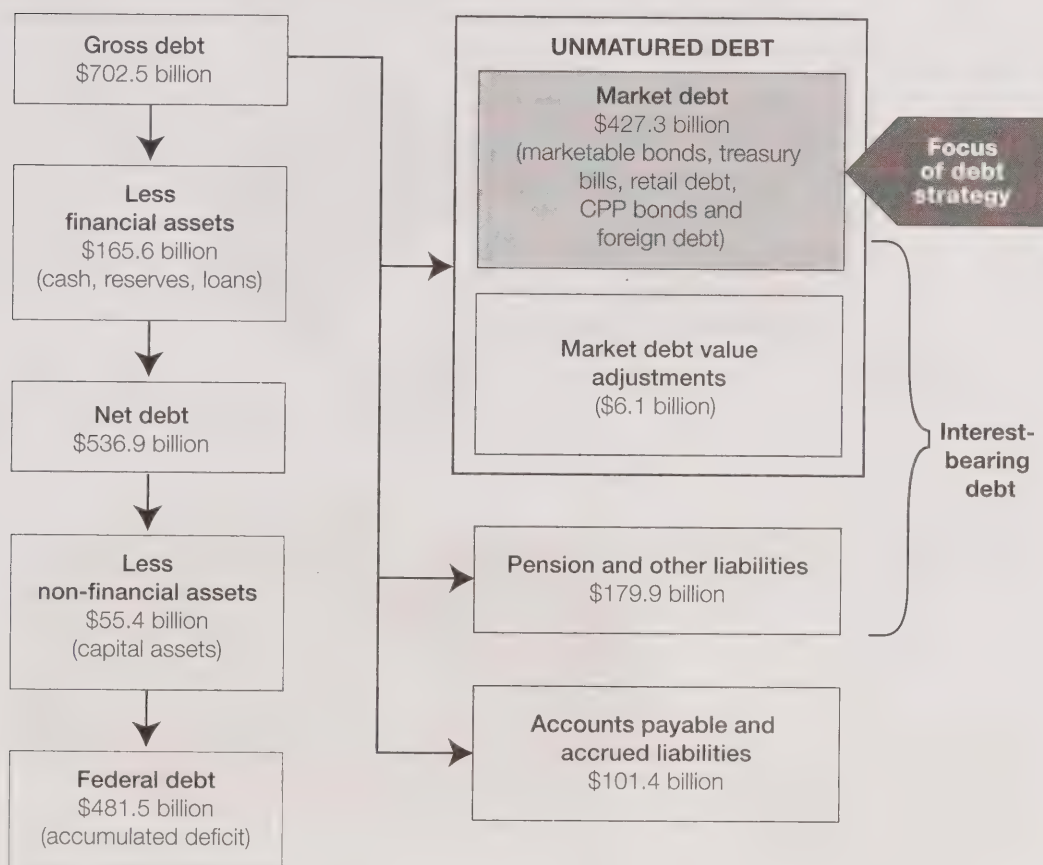
Sources: *Public Accounts of Canada* and Statistics Canada.

Composition of the Federal Debt

The federal debt consists of the total liabilities of the Government of Canada (gross debt) minus financial and non-financial assets. For accounting purposes, gross debt is decomposed into: market debt, which is issued and outstanding in financial markets; value adjustments to market debt (for the foreign exchange value of swap liabilities and the net of unamortized premiums and discounts of new issues and buybacks); capital leases; and other liabilities. Other liabilities comprise liabilities held outside capital markets and include obligations to public sector pension plans as well as accounts payable and accrued liabilities and allowances.

The following diagram illustrates the relationships between the components of the federal debt, based on the 2005–06 fiscal year. See Annex 1 for a more detailed description of the composition of the federal debt.

Federal Debt as at March 31, 2006



Source: Public Accounts of Canada.

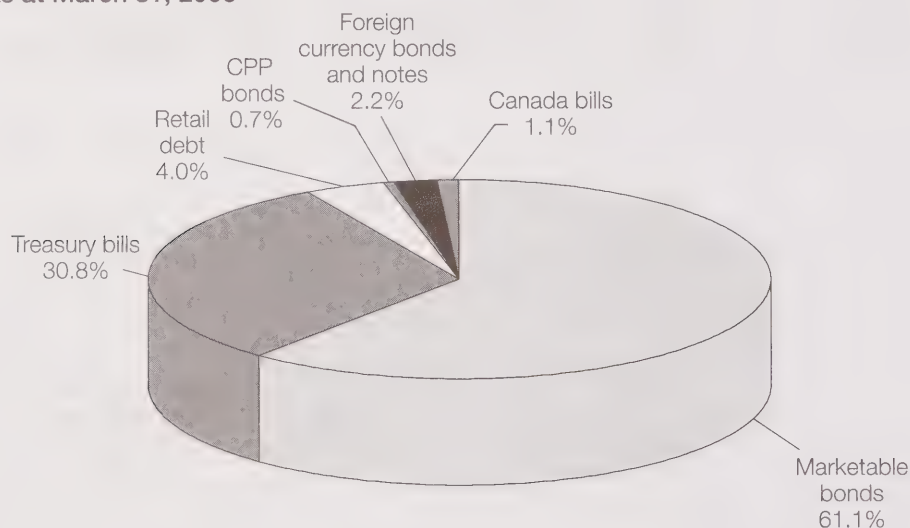


Of note, the presentation of unmatured debt in the *Public Accounts of Canada* has been rearranged for 2005–06. Unamortized premiums, discounts, and commissions have been reclassified from the “interest and matured debt” line of the financial statements to “unmatured debt” in the Statement of Financial Position. The cross-currency swap revaluation account has also been shifted from “accounts payable and accrued liabilities” to “unmatured debt” in the Statement of Financial Position. These changes were made so that all amounts pertaining to the current value of unmatured debt are grouped under the same section in the financial statements.

There are two types of market debt: domestic debt, which is denominated in Canadian dollars, and foreign currency debt (see Chart 3). Funding in Canadian dollars is done through wholesale and retail channels. Wholesale funding is conducted through issuance of marketable securities, which include nominal bonds, Real Return Bonds, treasury bills and cash management bills. These securities are sold via auctions to Government of Canada securities distributors and end-investors (details on the framework for government securities distributors and primary dealers can be found at www.bankofcanada.ca/en/auct.html). Retail funding is raised through sales of Canada Savings Bonds and Canada Premium Bonds to individuals who are Canadian residents (see www.csb.gc.ca for more information about the retail debt program).

See www.fin.gc.ca/invest/instru-e.html for a detailed description of the Government of Canada’s market debt instruments.

Chart 3
Market Debt
As at March 31, 2006



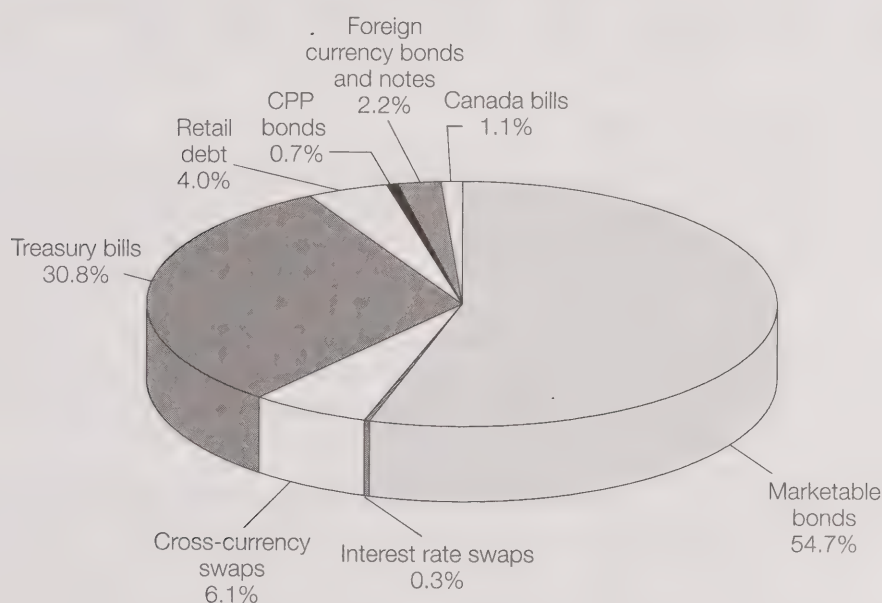
Sources: *Public Accounts of Canada* and *Annual Financial Report of the Government of Canada*.

Funds raised in Canadian dollars are used primarily to meet operational requirements. A portion of Canadian-dollar wholesale debt is swapped to foreign currencies to fund the Government's foreign exchange reserves. Chart 4 shows the composition of market liabilities taking these swaps into account.

Table 1 shows the change in the composition of federal market debt as at March 31, 2006, by domestic and foreign debt programs. Total domestic debt fell by \$2.3 billion while foreign currency debt declined by \$2.2 billion. Further details on the changes in programs and indicators of debt management operations and activities can be found in Part III.

Chart 4

**Market Liabilities, Including the Effect of Swaps,
As at March 31, 2006**



Note: As at March 31, 2006, the total amount of interest rate (\$1.4 billion) and cross-currency (\$26.2 billion) swaps outstanding stood at \$27.6 billion. Cross-currency swaps are valued on a nominal basis and used to convert C\$-denominated government debt into foreign currency obligations for the purpose of funding the foreign reserves portfolio.

Sources: *Public Accounts of Canada* and *Annual Financial Report of the Government of Canada*.

Table 1

Change in the Composition of Federal Market Debt

	April 1, 2005 ¹ Outstanding	March 31, 2006 Outstanding	Change
		(\$ billions)	
Domestic debt	415.5	413.2	-2.3
Foreign currency debt ²	16.3	14.1	-2.2
Total market debt	431.8	427.3	-4.5

¹ The comparative figures have been restated to reflect the current year's presentation.

² Liabilities are stated at par value using March 31, 2006, closing exchange rates.

Source: *Public Accounts of Canada*.



Part II: Report on the 2005–2006 Debt Strategy

The 2005–06 *Debt Management Strategy*, published in March 2005, set out an action plan for the management of the debt and cash balances (for more information, see www.fin.gc.ca/toce/2005/dms05e.html). A summary of the plan and actions taken is provided at the end of this part of the report. This section reports in more detail on actions taken, organized around two key debt strategy objectives: raising stable, low-cost funding and maintaining a well-functioning government securities market.

Raising Stable, Low-Cost Funding

Achieving the objective of raising stable, low-cost financing involves managing the Government's exposure to changes in interest rates and their impact on borrowing costs (interest rate risk). This section highlights the actions taken to manage interest rate risk.

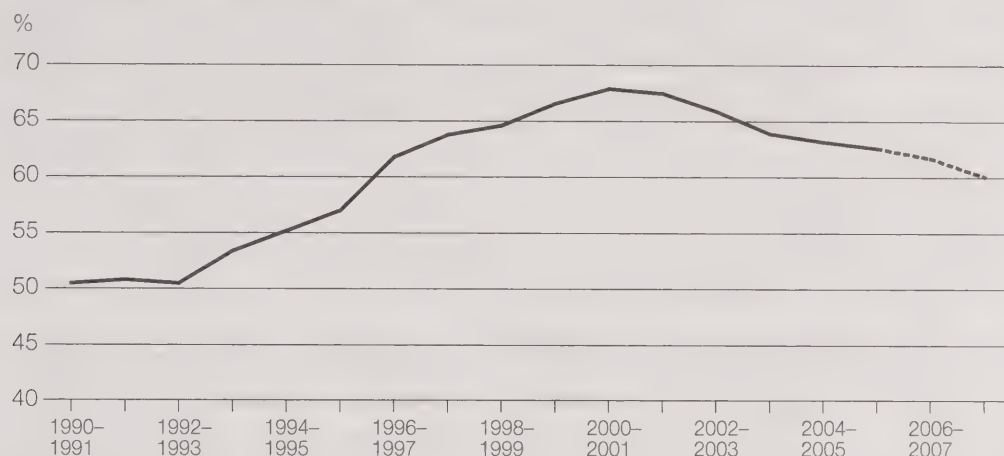
Debt Structure

The Government's interest-bearing debt is made up of a mix of short- and long term-debt. There is generally a trade-off between cost and risk in the selection of which instruments to issue. Borrowing costs of longer-term instruments tend to be higher but are fixed for long periods, therefore reducing the risk to refinance at higher interest rates. On the other hand, borrowing costs of shorter-term instruments tend to be lower on average but are fixed for shorter periods, therefore increasing the risk to refinance at higher interest rates. Under the debt strategy, the balance between fixed- and floating-rate debt in the market debt structure is managed over time to keep debt-servicing costs stable and low.

The main operational target used to manage the debt structure is the fixed-rate share, which measures the proportion of all government interest-bearing debt having fixed rates—debt that does not mature or need to be repriced within one year—relative to the total amount of interest-bearing debt. The February 2003 budget announced the intention of reducing the fixed-rate share target from two-thirds to 60 per cent in 2007–08 (see Chart 5).



Chart 5
Fixed-Rate Share of the Debt



Source: Bank of Canada.

The decision to lower the fixed-rate share took account of positive economic and fiscal developments in Canada in recent years. Financial simulation modelling indicates that a 60-per-cent fixed-rate share would result in lower borrowing costs under the vast majority of potential interest rate scenarios without compromising debt-cost stability.

The fixed-rate share declined from 63.1 per cent to 62.5 per cent over the 2005–06 fiscal year. The change in debt structure will continue to be implemented gradually, in an orderly and transparent manner, over the next two years.

As a consequence of the adjustment in the fixed-rate share, the stock of outstanding treasury bills and cash management bills, which are considered floating-rate debt, increased from \$127.2 billion to \$131.6 billion in 2005–06, while the stock of outstanding fixed-rate nominal bonds declined from \$244.3 billion to \$237.3 billion.

Maturity Profile

A related strategy to reduce the risk of higher borrowing costs is the establishment of a well-distributed maturity profile which limits the need to refinance a large portion of the debt in any given year when borrowing conditions may be unfavourable. In 2005–06, debt issuance plans continued to emphasize the distribution of borrowing across three benchmark treasury bill maturities (3, 6 and 12 months) and five benchmark bond maturities (2-, 5-, 10- and 30-year nominal bonds plus a 30-year Real Return Bond). Issuance in a broad range of benchmark maturities ensures a controlled exposure to changes in interest rates over time and provides liquidity across investor segments, instruments and maturities, which contributes to managing both cost and risk.

Maintaining a Well-Functioning Market

A well-functioning wholesale market in Government of Canada securities is important and of benefit to the Government as a borrower and to a wide range of market participants. For the Government as a debt issuer, a well-functioning market attracts investors and contributes to keeping funding costs low and stable over time. For market participants, a liquid and active secondary market in government debt provides credit-risk-free assets for investment portfolios, a pricing benchmark for other debt issues and swaps, and a primary tool for hedging interest rate risk.

In 2005–06, the following actions were taken to promote liquidity in Government of Canada securities:

- **Regular and transparent issuance:** The practice of pre-announcing quarterly bond auction schedules was continued. As in recent years, regular auctions included quarterly 2-, 5-, 10-year and 30-year Real Return bond auctions, and semi-annual 30-year nominal bond auctions. Regular and pre-announced issuance provided certainty for dealers and investors in terms of planning their investment activities and supported participation and competitive bidding for auctions of securities.
- **Benchmark target sizes:** The 2-, 5-, 10- and 30-year new building benchmark target sizes were unchanged from the previous year (2-year bonds: \$7 billion to \$10 billion; 5-year bonds: \$9 billion to \$12 billion; 10-year bonds: \$10 billion to \$14 billion; and 30-year bonds: \$12 billion to \$15 billion). All benchmarks built in 2005–06 were within their target range. In the case of building benchmarks that were fungible with large existing bonds, the benchmark size was deemed attained when the total amount of outstanding bonds for a particular maturity date exceeded the minimum benchmark size for that maturity sector.
- **Regular buybacks:** The regular bond buyback program differs from the cash management bond buyback program in that the former serves to maintain gross bond issuance, while the latter helps to manage cash requirements effectively by reducing large bond maturities.

Against the backdrop of debt paydown in recent years, use of the regular bond buyback program on both a switch and cash basis to repurchase less liquid off-the-run bonds with more than one year to maturity (i.e. securities that are no longer the current or the previous building benchmark) has helped maintain gross bond issuance and benchmark bond sizes at higher levels than would have been possible without the buyback program, considering the Government's funding requirements. Buybacks on a cash basis are "reverse auctions," where off-the-run bonds offered to the Government are exchanged for cash. Buybacks on a switch basis, are also "reverse auctions" but involve the exchange of off-the-run bonds from the market for the current building benchmark.

The 2005–06 *Debt Management Strategy* outlined a buyback target of between \$9 billion and \$10 billion, roughly \$1.5 billion less than in 2004–05. During the fiscal year, \$32.4 billion in gross new benchmark bonds were issued and \$8.6 billion in off-the-run bonds were repurchased. In 2005–06, \$3.3 billion in bonds were repurchased through the switch program (a decrease of \$1.4 billion from 2004–05), and \$5.3 billion through the cash buyback program (a decrease of \$1.5 billion from 2004–05).

The cash management bond buyback (CMBB) program, through which a portion of the outstanding benchmark bonds maturing in up to 18 months are repurchased prior to their maturity, helps manage cash requirements by reducing the high levels of cash balances needed for key coupon and maturity payment dates. Overall, the CMBB programs in 2004–05 and 2005–06 lowered large bond maturities occurring in 2005–06 by 30 per cent, reducing the market impact of holding high levels of cash balances for coupon and maturity payment dates.

As a result of actions taken to promote liquidity in Government of Canada securities, there are now fewer small, illiquid high coupon bonds and more large and liquid old benchmarks than there were in 2000. Since 2000 the number of bonds has been reduced from 71 to 51 while the average size per maturity date has increased from \$5 billion to \$6 billion.

Table 2

Impact of Debt Management Activities on Profile of Outstanding Bonds

	Nominal Bonds		Real Return Bonds		Total	
	2000	2006	2000	2006	2000	2006
Total bonds outstanding (\$ billions)	281.3	237.3	13.1	24.5	294.4	261.9
Average size per maturity date (\$ billions)	5.0	6.1	4.0	5.1	5.0	6.0
Number of bonds outstanding	68	47	3	4	71	51
Number of maturity dates	56	39	3	4	59	43
Weighted average coupon rate (%)	7.52	5.54	4.22	3.92	–	–

Sources: Bank of Canada and *Public Accounts of Canada*.

Program Reviews and Evaluations

Regular assessment of treasury management frameworks and programs is undertaken as part of good governance and management of the debt program.

Market Consultations

Review of the Debt Distribution Framework

In the fall of 2004, an evaluation of the debt distribution framework for Government of Canada securities was launched. The purpose of the review was to assess the framework's effectiveness in raising stable, low-cost funding while supporting a well-functioning market for Government of Canada securities, and determine whether changes to the framework were warranted.

The review was considered timely and appropriate given the evolution of the Government of Canada securities market since the previous review of the framework in 1998. The recent environment is characterized by lower borrowing requirements of the federal government; greater concentration of auction participation and secondary market trading; interest by some investors in direct participation at auctions; and innovation in financial markets through, for example, the development of alternative trading systems.

After internal analysis and consultations with interested parties, the review concluded that the framework is generally working well, with auctions consistently covered and well bid. Modest changes to the framework were announced on the Bank of Canada's website in August 2005, and came into effect in December 2005. These changes fell into two broad areas: adjustments in auction access for dealers and customers, and changes to minimum bidding obligations of dealers (for more information, see www.bank-banque-canada.ca/en/notices_fmd/2005/not080805.html).

Review of the Design of the Bond Program

In November 2005, officials from the Department of Finance and the Bank of Canada consulted with interested parties on issues relating to the design and operation of the Government of Canada's debt programs for fiscal year 2006–07 and beyond.

The focus of the market consultations was to assess potential structural changes to the bond program in light of declining fixed-rate borrowing needs. The consultations revealed that market participants recognize the challenges in maintaining well-functioning markets for Government of Canada securities in the context of lower borrowing needs and the movement towards a lower fixed-rate share of the Government's debt.

The consultations identified a broad spectrum of options, ranging from modest to more fundamental changes, for adjustment of the bond program in the short and medium terms. Measures announced in the 2006–07 debt strategy include forgoing one 2-year and one 5-year fungible auction, changing the maturity of the 5-year benchmark bond from September to June and continuing the bond buyback program. A measure which was also raised but not adopted was the potential use of an interest rate swap program as a tool to continue to reduce the fixed-rate share of the debt while minimizing the impact on gross bond issuance and benchmark sizes (for additional details, see www.bank-banque-canada.ca/en/notices_fmd/2006/not060406_strategy.html).

Review of the Borrowing Framework of Major Federal Government-Backed Entities

In 2004, KPMG LLP was engaged under the treasury evaluation program to determine whether the current regime governing capital market borrowings by major federal government-backed entities was functioning effectively.³ The review also considered alternative borrowing frameworks to determine if they could reduce cost and risk and enhance the liquidity of Canadian capital markets, taking into account the varying needs of the borrowers.

In its report, published in September 2005 (see www.fin.gc.ca/toce/2005/MFGBE-e.html), KPMG LLP observed that the current governance system between the Government of Canada and all of the organizations is functioning well. The report identified potential improvements to the terms of borrowing authorities provided by the Minister, the reporting of performance, as well as the sharing of information on funding activity. With respect to alternative borrowing frameworks, KPMG LLP observed that an approach worth considering is the consolidation of Crown borrowing activity with the Government's own borrowing program.

The merits of consolidating some or all of the borrowing by major government-backed entities into government debt programs was being further assessed at the time this report was prepared.

These entities comprise six "Borrowers": four Crown corporations (the Business Development Bank of Canada, Canada Mortgage and Housing Corporation, Export Development Canada and Farm Credit Canada) and two non-Crown corporations (the Canada Housing Trust and the Canadian Wheat Board). While each Borrower issues debt in its own name, all of their debt issues are backed by the full faith and credit of the Government.

Participation in Operations

Active participation at auction and buyback operations by a diverse group of market participants also helps achieve the key objective of stable, low-cost funding. Initiatives to enhance transparency and the bidding process have been undertaken to broaden participation over the past few years.

An important initiative undertaken in 2005–06 was to advance the timing of bond auctions from 12:30 p.m. to 12:00 p.m. and to advance the timing of cash bond buybacks from 1:00 p.m. to 12:20 p.m. Moving the timing of these operations earlier in the day when demand for Government of Canada securities may be stronger as well as decreasing the time interval between the two operations by 10 minutes has reduced market risk for participants. In addition, the time in which auction and buyback results are made public (turnaround time) continued to improve (see Chart 6).

Lower turnaround times and advancing the time of the auction and of the cash buyback enhance the efficiency of the auction and buyback process and encourage participation by reducing the market risk for participants. In consultations on the development of the debt strategy, market participants have indicated their satisfaction with these changes.

There has been a significant reduction in turnaround times in recent years, from 45 minutes at the end of 1998, to an average of close to 2 minutes for treasury bill and bond auctions and an average of less than 4 minutes for buyback operations in 2005–06. Turnaround times have been on a “best efforts basis” since April 6, 2004 (see Charts 6 and 7).

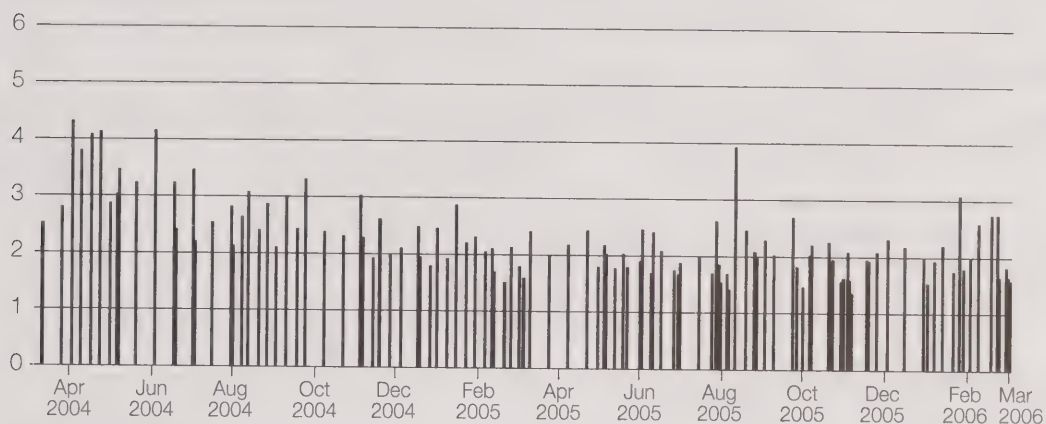
As announced in the 2006–07 *Debt Management Strategy*, the Bank of Canada is currently targeting an average turnaround time of less than 3 minutes for auctions and less than 5 minutes for buybacks. Similarly, maximum turnaround times have been reduced from 10 minutes to 5 minutes for auctions and from 15 minutes to 10 minutes for buyback operations.



Chart 6

**Turnaround Times for the Release of the Results
of Treasury Bill and Bond Auctions, 2004–2006**

minutes past bidding deadline

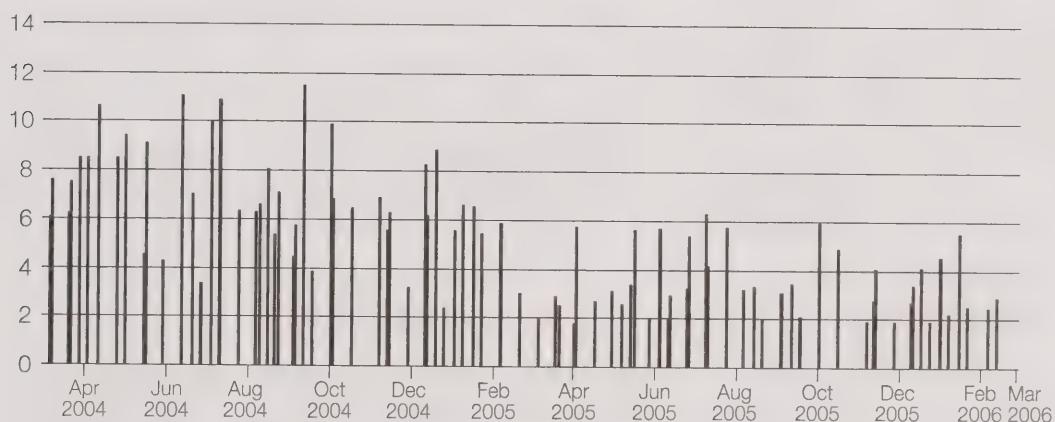


Source: Bank of Canada.

Chart 7

**Turnaround Times for the Release of the Results
of Buyback Operations, 2004–2006**

minutes past bidding deadline



Source: Bank of Canada.

Debt Strategy Plan and Summary of Actions Taken

The following summary reports on the planned initiatives, their purpose and actions taken through 2005–06, as outlined in the *Debt Management Strategy* published in March 2005 (www.fin.gc.ca/toce/2005/dms05e.html).

Debt Structure

Objective: Gradually reduce the fixed-rate share of debt from two-thirds to 60 per cent by 2007–08.

Plan	Intended Result	Actions Taken
Continue to reduce the fixed-rate share of debt towards the 60-per-cent target.	Achieve lower debt charges, while continuing to prudently mitigate the risk to the budget framework.	The fixed-rate share was reduced from 63.1 per cent to 62.5 per cent over the 2005–06 fiscal year.
Increase the size of the treasury bill program from about \$130 billion in 2004–05 to approximately \$140 billion in 2005–06.		The stock of outstanding treasury bills and cash management bills increased by \$4.4 billion from \$127.2 billion to \$131.6 billion due to a larger than expected financial source.
Issue about \$33 billion of bonds in 2005–06, about \$3 billion less than in 2004–05. Due to large bond maturities and continued bond buyback operations, the bond stock is expected to decrease by some \$8 billion, to \$235 billion.	Facilitate market adjustment to changes in the bond and treasury bill programs.	\$32.4 billion of nominal bonds were issued. The stock of outstanding bonds declined by \$6.9 billion to \$237.3 billion.
Reduce the size of the regular bond buyback program, with a planned level of between \$9 billion and \$10 billion, roughly \$1.5 billion less than in 2004–05.	Preserve liquidity in outstanding issues.	\$8.6 billion of bonds were repurchased through the regular bond buyback program on a cash and switch basis.
Maintain a stable maturity profile by continuing to issue in all sectors of the curve and by using the cash management bond buyback (CMBB) program to reduce large maturities.	Limit the need to refinance a large portion of debt in any given year.	Average term to maturity was maintained above 6.5 years. \$8.7 billion of bonds were repurchased through the CMBB program. The 2004–05 and 2005–06 CMBB operations reduced large maturities in 2005–06 by 30 per cent on average.

Debt Strategy Plan and Summary of Actions Taken (cont'd)

Domestic Debt Programs

Objective: Maintain diversified sources of funding and a well-functioning market.

Plan	Intended Result	Actions Taken
Continue regular issues of marketable bonds in four maturity sectors, treasury bills in three maturity sectors, and a 30-year Real Return Bond.	Keep costs low and mitigate funding risk by diversifying borrowing across investor segments, instruments and maturities.	Issuance schedule and maturities of past years were maintained in treasury bills, nominal bonds and Real Return Bonds.
Continue to borrow on a pre-announced basis and provide timely notices of government policy decisions.	Maintain transparency and efficiency.	The issuance schedule was maintained and announced prior to the start of each quarter.
Maintain current new maturity benchmark target sizes for 2-, 5-, 10- and 30-year bonds.	Maintain a liquid market for on-the-run issues and building benchmark issues.	Benchmark bond target ranges were achieved.
Forgo the 2-year auction in the fourth quarter of 2005–06, where it was fungible with a large existing bond.	Facilitate a reduction in gross bond issuance to lower the fixed-rate share of the debt while maintaining liquidity in that sector of the yield curve.	Liquidity in the 2-year sector was achieved.
Consult with market participants in 2005–06 on potential changes to the structure of the bond program.	Adjust the structure of the bond program to achieve a 60-per-cent fixed-rate share by 2007–08 while maintaining a well-functioning government securities market.	Consultations took place in late 2005. A summary of comments received from interested parties was posted on the Bank of Canada's website on April 7, 2006.
Advance the timing of bond auctions from 12:30 p.m. to 12:00 p.m. and advance the timing of cash buybacks from 1:00 p.m. to 12:20 p.m., 10 minutes closer to the bond auction than previously.	Encourage participation by moving the timing of these operations earlier in the day when demand for Government of Canada securities may be stronger and decreasing the time interval between the two operations to reduce market risk for participants.	The new timing of auction and buyback operations was successfully implemented.



Debt Strategy Plan and Summary of Actions Taken (*cont'd*)

Domestic Debt Programs (*cont'd*)

Plan	Intended Result	Actions Taken
Continue to work to lower turnaround times for the release of results of auctions and buybacks.	Enhance the bidding process and participation by reducing market risk for participants.	Turnaround times on a best efforts basis have averaged close to 2 minutes for auctions and less than 4 minutes for buybacks.
Update the retail debt strategy.	Ensure the evolving needs of the Government of Canada and Canadians are met.	A program evaluation is ongoing with efforts focused on cost reduction and improving efficiency.

Foreign Reserves

Objective: Improve the cost-effectiveness of funding foreign reserves assets.

Plan	Intended Result	Actions Taken
<p>Note: The 2005–06 debt strategy also included the objectives listed below for the management of the foreign reserves portfolio, the Exchange Fund Account (EFA). The EFA provides a source of foreign currency liquidity and is used to promote orderly conditions in the foreign exchange market for the Canadian dollar (see the <i>Report on the Management of Canada's Official International Reserves</i> at www.fin.gc.ca/toce/2006/oir06_e.html for details on actions in the area of reserves management).</p>		
Continue to use cross-currency swaps as the primary source of reserves funding.	Support a positive carrying cost of reserves assets.	Sixty-four cross-currency swaps were executed in 2005–06 totalling \$7.2 billion.
Modernize the Currency Act, which provides the legislative basis for the management of the foreign reserves.	Reduce potential for legal risk issues by modernizing the act and increasing the flexibility of investment policy.	Amendments enacted through Budget Implementation Act, June 2005.
Continue to review the foreign reserves portfolio investment policy.	Improve the risk/return profile of the portfolio, with the possible inclusion of new asset classes.	An external review of the EFA was completed and will be released publicly in 2006.



Part III: Programs and Indicators

Part III is divided into three main sections: indicators of the outcome of domestic debt program operations, indicators of cash management activity, and indicators of reserves funding. It also provides information on the distribution of holdings of Government of Canada securities. The indicators are intended to provide information on the key measures used by government debt managers. As outcomes in virtually all cases are the product of many factors, the measures do not directly reflect the impact of specific government debt management policies. However, they serve as useful metrics in helping to understand the results and context of debt management initiatives.

Domestic Debt Programs

Measures of outcomes in the area of domestic debt management can be divided into two groups: those associated with the debt issuance process (the primary market) and those dealing with post-issuance trading (the secondary market).

Measures of a well-functioning securities market include the degree to which auctions in the primary market are well bid and the level of liquidity and trading in the secondary market. In 2005–06, treasury bill and bond auctions continued to be covered and well bid. Primary dealers, a core group of government securities distributors that maintain a certain threshold of activity in the market for Government of Canada securities, play the dominant role at auctions, winning more than 95 per cent of bonds offered, except in the case of Real Return Bond auctions, where customers have won more than 45 per cent of the bonds on offer in recent years.

The secondary market for Government of Canada securities continues to experience healthy trading volumes and turnover ratios that compare favourably to those of other countries. Primary dealers also play a major role in secondary markets, with the top 10 participants accounting for about 99 per cent and 94 per cent of the turnover of treasury bills and bonds respectively (for more information on the federal debt distribution framework, see www.fin.gc.ca/dtman/2001-2002/dmr02_3e.html#Annex%201).

Primary Market

Program Activity

Nominal Bonds

Gross bond program issuance in 2005–06 was \$32.4 billion (including issuance through switch buybacks), about \$3 billion lower than the \$35.5 billion in 2004–05 (see Table 3). Gross issuance consisted of \$10.0 billion in 2-year bonds, \$9.2 billion in 5-year bonds, \$10.0 billion in 10-year bonds and \$3.2 billion in 30-year bonds (see Reference Table VIII for more information on bond auctions). In 2005–06, \$22.1 billion of bonds matured. Taking into account buybacks and maturities, the stock of outstanding bonds declined by \$6.9 billion during the fiscal year to \$237.3 billion as at March 31, 2006.

Table 3
Change in Composition of Federal Market Debt, 2005–06¹

	April 1, 2005	Receipts/ Credits	Payments/ Charges	March 31, 2006	Change
			(\$ billions)		
Payable in Canadian currency					
Nominal bonds	244.3	32.4	39.4 ²	237.3	-6.9
Real Return Bonds	22.4	2.1 ³	0.0	24.5	2.1
Treasury bills ⁴	127.2	309.9	305.5	131.6	4.4
Retail debt	19.1	1.8	3.6	17.3	-1.7
CPP bonds and notes	3.4	0.0	0.3	3.1	-0.3
Total domestic debt	416.3			413.9	-2.4
Payable in foreign currencies⁵					
Foreign bonds ⁶	9.9		2.3	7.6	-2.3
Canada bills	3.9	15.8	15.0	4.7	0.9
Canada notes	1.1	0.0	0.6	0.5	-0.6
Euro Medium-Term Notes	1.7	0.0	0.2	1.5	-0.2
Total foreign debt	16.5			14.3	-2.2
Less: Government's own holdings⁷	1.1	17.4	17.3	1.0	-0.1
Total market debt	431.8			427.3	-4.5
Obligations related to capital leases	2.9	0.1	0.1	2.9	0.0
Unamortized discounts and premiums	-6.3	3.5	4.0	-6.8	-0.4
Cross-currency swap revaluation	-0.9		1.3	-2.3	-1.3
Total unmatured debt	427.4			421.1	-6.3

Note: Sub-categorization of Government of Canada debt is in accordance with Bank of Canada reports, which may vary slightly from Public Accounts categories due to differences in classification methods. Numbers may not add due to rounding.

¹ The comparative figures have been restated to reflect the current year's Public Accounts presentation.

² Includes the regular bond buyback program (\$8.6 billion) and the cash management bond buyback program (\$8.7 billion). Some cash management bond buybacks in 2005–06 did not reduce maturities in that year, but will in 2006–07.

³ Includes CPI adjustment.

⁴ These securities are issued at 3-, 6- and 12-month maturities and are therefore rolled over a number of times during the year for refinancing. This results in a larger number of new issues per year than stock outstanding at the end of the fiscal year. These amounts include cash management bills.

⁵ Liabilities are stated at par value at the March 31, 2006 exchange rate. Changes in outstanding amounts for foreign currency bonds, Canada notes and Euro Medium-Term Notes include the exchange rate appreciation/depreciation of the currency of issue versus the Canadian dollar.

⁶ Includes \$246.1 million in securities assumed by the Government of Canada on February 5, 2001, on the dissolution of Petro-Canada Limited.

⁷ Includes a consolidation adjustment for Crown corporations and other entities.

Source: *Public Accounts of Canada*.



Real Return Bonds (RRBs)

Including the adjustment for the Consumer Price Index (CPI), RRB issuance in 2005–06 was at a level similar to the previous year's issuance of \$2.1 billion, increasing the level of outstanding RRBs from \$22.4 billion to \$24.5 billion as at March 31, 2006. In 2005–06 the fourth RRB was issued, and had a December 1, 2036, maturity (see Reference Table X for more information on RRB auctions).

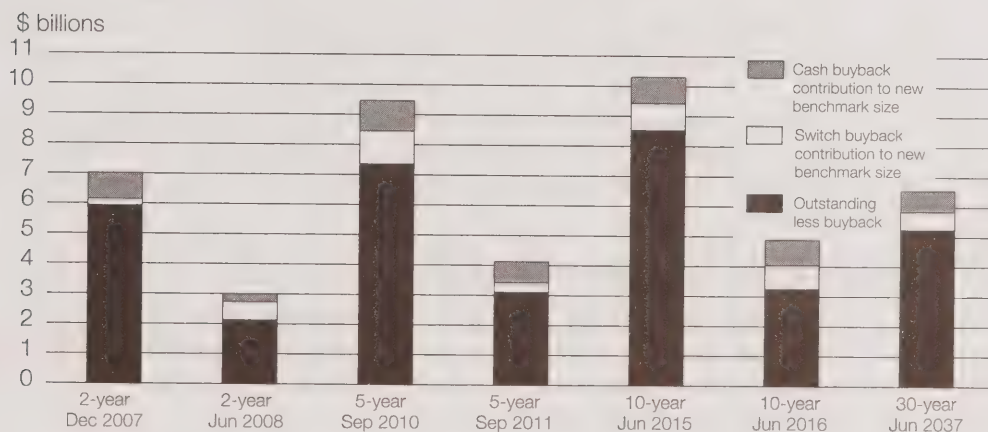
Regular Bond Buyback Program

The objectives of the regular bond buyback program are to enhance liquidity and maintain active new issuance in the primary market for Government of Canada securities. Regular bond buyback operations totalled \$8.6 billion in 2005–06, consisting of \$4.7 billion in 2- and 5-year bonds, \$2.6 billion in 10-year bonds and \$1.3 billion in 30-year bonds (see Reference Table XII for more information on buyback operations).

Buybacks on a cash basis resulted in \$5.3 billion of new benchmarks being issued. Switch buyback operations in 2005–06 resulted in \$4.5 billion of new building benchmarks being issued.

The amount of new bonds issued through buybacks on a switch basis does not necessarily equal the amount of old bonds bought back through switch operations because the exchange is not done on par value but on a duration-neutral basis. Chart 8 shows the impact of regular bond buybacks on benchmark sizes in 2005–06.

Chart 8
**Impact of Regular Buyback Program
on Benchmark Sizes in 2005–06**
As of March 31, 2006



Source: Bank of Canada.

Treasury Bills and Cash Management Bills (CMBs)

The stock of outstanding treasury bills and CMBs increased by \$4.4 billion during 2005–06 to \$131.6 billion at March 31, 2006, consistent with the orderly move to a lower fixed-rate share of debt. Over the fiscal year, \$309.9 billion in treasury bills and CMBs were auctioned, an increase of \$38.4 billion from the previous year (see Table 4). There were \$7.5 billion of CMBs outstanding at the beginning of fiscal 2005–06 and \$11.8 billion outstanding at the end of the year. Throughout the year, \$58.9 billion in CMBs were issued for various short-term maturities. More frequent use of CMBs, as a cost-effective cash management tool, helped smooth fluctuations in cash balances over the year.

Table 4

Treasury Bill and CMB Program Issuance

Issuance	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06
	(\$ billions)					
CMBs	9.0	7.5	23.8	28.5	25.0	58.9
3-month treasury bills	88.1	103.3	117.4	129.7	137.5	140.2
6-month treasury bills	38.6	43.1	47.8	51.9	54.5	55.4
12-month treasury bills	38.6	43.1	47.8	51.9	54.5	55.4
Total treasury bills	165.3	189.5	213.0	233.5	246.5	251.0
Total including CMBs	174.3	197.0	236.8	262.4	271.5	309.9

Sources: Bank of Canada and *Public Accounts of Canada*.

Retail Debt

The level of outstanding debt held by domestic retail investors—Canada Savings Bonds and Canada Premium Bonds—decreased from \$19.1 billion to \$17.3 billion in 2005–06. Gross sales and redemptions were \$1.8 billion and \$3.6 billion, respectively, for a net reduction of \$1.7 billion in the stock of retail debt. The decline of the retail debt stock is consistent with the trend in overall government debt and an environment of increased competition from private sector retail instruments. Retail debt stock outstanding has decreased from just under \$33 billion in 1993 to the current \$17.3 billion.

For more information on Canada Savings Bonds and Canada Premium Bonds, see the annual report of Canada Investment and Savings, the Government of Canada's retail debt agency, available at www.csb.gc.ca/eng/about_report.asp.

Bill and Bond Auction Results Indicators

The two conventional measures of auction performance are the auction coverage and tail. These two measures, combined with the yield of the securities issued, describe the quality of an auction in terms of its competitiveness and its impact on the cost of borrowing.

The auction coverage is defined as the total amount of bids received divided by the auction amount. A coverage statistic of one is essential for each auction, and a higher statistic is generally better as it is usually a sign of more aggressive bidding and therefore should typically result in lower borrowing costs. The auction tail is the number of basis points between the highest yield accepted and the average yield. In this case, a smaller auction tail is preferable as it indicates strong bidding and therefore lower borrowing costs.

The terms of participation covering government auctions require more active dealers (primary dealers) to bid for 50 per cent of their auction limit at reasonable prices. Maximum coverage ratios from primary dealers (which represent about 90 per cent of winning bids) could reach about 2.8 for bond auctions and 2.5 for treasury bill and CMB auctions. Minimum coverage ratios, assuming that all primary dealers bid at their minimum bidding limit, would total about 1.4 for bond auctions and 1.2 for treasury bill and CMB auctions.

In 2005–06, coverage for bond auctions was slightly higher than the 4-year average, while tails for both treasury bill and bond auctions were narrower than the 4-year average, indicating relatively more competitive bidding at auctions (see Table 5).

Table 5
Performance at Auctions

	Coverage (Ratio)					Tail (Basis Points)				
	2002– 2003	2003– 2004	2004– 2005	2005– 2006	4-yr. avg.	2002– 2003	2003– 2004	2004– 2005	2005– 2006	4-yr. avg.
Treasury bills										
3-month	2.2	2.2	2.1	2.2	2.2	0.6	0.5	0.5	0.4	0.5
6-month	2.3	2.2	2.1	2.1	2.2	0.7	0.5	0.5	0.6	0.6
12-month	2.1	2.1	2.0	2.1	2.1	0.7	0.7	0.6	0.6	0.7
CMBs	2.0	2.0	2.4	2.7	2.4	1.4	1.4	1.7	1.2	1.4
Nominal bonds										
2-year	2.3	2.5	2.5	2.4	2.4	0.7	0.5	0.3	0.4	0.5
5-year	2.5	2.6	2.5	2.7	2.6	0.7	0.5	0.5	0.2	0.5
10-year	2.5	2.5	2.3	2.6	2.5	0.8	0.5	0.4	0.3	0.5
30-year	2.5	2.6	2.3	2.6	2.5	0.7	0.4	0.7	0.4	0.6
Real Return Bonds ¹										
	3.2	2.9	2.5	2.7	2.8	n.a.	n.a.	n.a.	n.a.	n.a.
Weighted average ²	2.2	2.2	2.1	2.2	2.2	0.7	0.5	0.5	0.5	0.5

¹ Auction tails for RRBs are not relevant since RRBs are distributed through single-price auctions.

² Weighted average excludes CMBs.

Source: Bank of Canada.

Participation at Auctions

This section provides information on participation of government securities distributors (primary dealers and other government securities dealers) and customers (in practice institutional investors) in the primary market for Government of Canada securities. Primary market shares are calculated using government securities distributors' and customers' allotments at auctions during the fiscal year.

Two new primary dealers for Government of Canada securities were announced by the Bank of Canada in December 2005 (see www.bank-banque-canada.ca/en/notices_fmd/2005/not091205.html for more information).

Nominal Bonds

In 2005–06 primary dealers (PDs) were allotted about 95 per cent of nominal bond auctions while customers were allotted about 2 per cent and the remaining government securities distributors (GSDs) won approximately 3 per cent (see Table 6). The 10 most active participants bought about 92 per cent of the bonds on average. These percentages show a slight decrease in concentration of primary dealer allotments from the previous year.

Table 6
Bond Auctions Share of Amount Allotted to Participants
(Excluding Real Return Bonds)

Participant Type	2002–03	2003–04	2004–05	2005–06
			(%)	
PDs	91.8	93.4	96.0	95.1
Other GSDs	2.5	1.8	2.2	3.2
Customers	5.6	4.7	1.8	1.7
Top 10 participants	88.7	90.9	92.8	91.5

Source: Bank of Canada.

Bond Buybacks

Primary dealers are the most active participants in bond buyback operations. Customers' share of allotments at buybacks is shown as zero, but this likely underestimates the level of participation of customers, as they may participate indirectly in buyback operations through dealers rather than participating directly (see Table 7).

**Table 7**

*Bond Buyback Operations Share of Amount Allotted to Participants
(Excluding Cash Management Bond Buybacks)*

Participant Type	2002-03	2003-04	2004-05	2005-06
			(%)	
PDs	96.4	97.9	96.5	96.9
Other GSDs	1.7	2.1	3.5	3.1
Customers ¹	1.9	0.0	0.0	0.0
Top 10 participants	94.5	97.4	97.9	96.0

¹ Results may underestimate customer participation. Contrary to treasury bill and bond auctions and switch buyback operations, customers do not have to inform the Bank of Canada about their participation at regular bond buyback operations.

Source: Bank of Canada.

Real Return Bonds

Unlike nominal bond auctions, RRB auctions have more active customer participation. This is largely due to the relative lack of product availability and lower liquidity in the secondary market, as many RRB investors are buy-and-hold investors. Allotments to customers increased from about 46 per cent in 2004-05 to 48 per cent in 2005-06 as the primary dealers' share decreased from the previous year, although unlike in 2002-03 and 2003-04, customers' share remained below that of the PDs. The 10 most active participants in RRB auctions were allotted 69 per cent of the amount auctioned, which is in line with historical averages (see Table 8).

Table 8

RRB Auctions Share of Amount Allotted to Participants

Participant Type	2002-03	2003-04	2004-05	2005-06
			(%)	
PDs	47.9	36.1	53.1	51.1
Other GSDs	0.9	0.8	0.7	0.9
Customers	51.2	63.1	46.2	48.0
Top 10 participants	63.9	69.0	66.6	69.0

Source: Bank of Canada.

*Treasury Bills*

For 2005–06 primary dealers accounted for about 91 per cent of amounts allotted at treasury bill auctions while customers accounted for about 8 per cent and other GSDs accounted for about 2 per cent. The share won by primary dealers increased by about 4 percentage points in 2005–06. In 2005–06 the 10 most active participants accounted for about 94 per cent of amounts allotted at treasury bill auctions, slightly more than in previous years (see Table 9).

Table 9*Treasury Bill Auctions Share of Amount Allotted to Participants*

Participant Type	2002–03	2003–04	2004–05	2005–06
			(%)	
PDs	84.1	84.2	86.4	90.6
Other GSDs	2.2	1.2	2.3	1.8
Customers	13.6	14.5	11.3	7.6
Top 10 participants	91.5	93.7	93.6	94.1

Source: Bank of Canada.

Cash Management Bills

Primary dealers are the most frequent participants at CMB auctions. In 2005–06 they were awarded about 96 per cent of the allotted amounts, and the 10 most active participants accounted for about 98 per cent. The average allotment share of customers increased from the previous fiscal year to about 3 per cent (see Table 10).

Table 10*CMB Auctions Share of Amount Allotted to Participants*

Participant Type	2002–03	2003–04	2004–05	2005–06
			(%)	
PDs	93.0	97.8	95.5	96.3
Other GSDs	2.5	1.4	2.6	0.5
Customers	4.5	0.8	1.9	3.2
Top 10 participants	95.5	99.2	98.1	98.2

Source: Bank of Canada.

Secondary Market

The two conventional measures of liquidity and efficiency in the secondary market for Government of Canada securities are trading volume and turnover ratio. These two measures are presented for bonds (Chart 9 and, for international comparison purposes, Chart 10) and treasury bills (Chart 11).

Trading volume and turnover ratios for bond repos (Chart 12) and treasury bill repos (Chart 13) are also provided. A repo, or repurchase agreement, is a transaction in which a party sells a security and simultaneously agrees to repurchase it at a given price at a given time in the future. These transactions provide short-term collateralized loans of cash and low-risk securities to finance or support dealer inventories. As such, they represent an index of the scale of market activity.

Trading volume, which shows the amount of securities traded per period, is a conventional indicator of liquidity. Large trading volume allows participants to buy or sell in the marketplace without a substantial change in the price of the securities. Turnover ratio, which is the ratio of securities traded relative to the amount of securities outstanding, is a measure of market depth and efficiency. High turnover implies that a large amount of securities changes hands over a given period of time, a hallmark of an efficient securities market.

A number of factors affect trading volume and turnover ratio, such as the extent to which new information changes views in the marketplace and changes in the stock of outstanding securities. Trends in these two measures can be indicators of changes in market liquidity and efficiency.

The presence of liquid repo markets and liquid interest rate futures contracts complements an efficient Government of Canada securities market. A liquid repo market exists for Government of Canada treasury bills and nominal bonds. There are also active futures contracts based on the benchmark 2- and 10-year Government of Canada bonds.

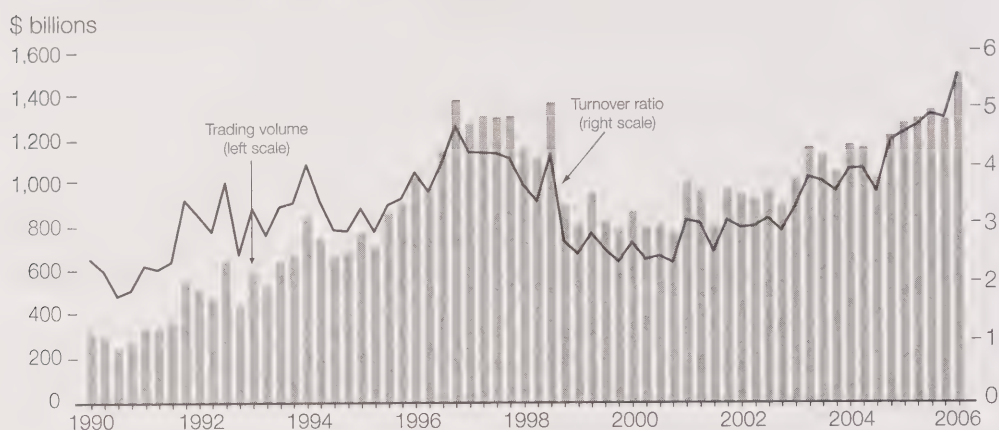
Trading Volume and Turnover Ratios

The volume of transactions in the Government of Canada bond market has grown significantly since 1990. Total marketable bond trading volume hit a record \$5,474 billion in 2005–06, a 16-per-cent increase from 2004–05. The average quarterly turnover ratio was 5.1 times the outstanding stock of bonds in 2005–06, compared to 4.2 in 2004–05 (see Chart 9).



Chart 9

Government of Canada Bonds Trading Volume and Turnover Ratio



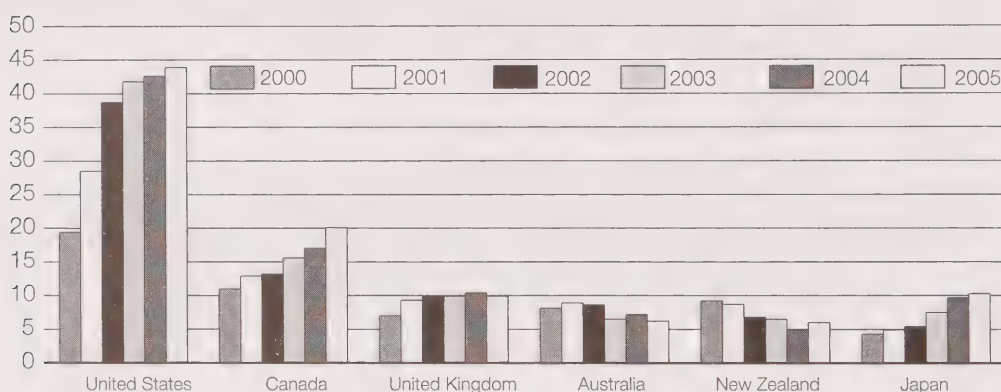
Note: Trading volume is total volume of trading by government securities distributors in each quarter. Turnover ratio is total trading volume in each quarter/stock.

Source: Bank of Canada.

With an annual debt stock turnover ratio of 20.1 in 2005, the Government of Canada bond market compares favourably with other major sovereign bond markets, with the exception of the United States (see Chart 10).

Chart 10

Sovereign Bond Turnover Ratios



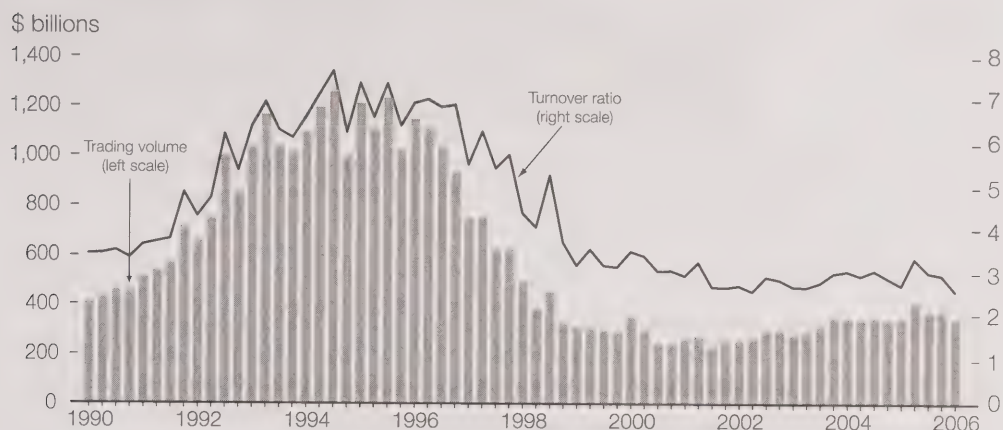
Note: Turnover ratio is total trading volume in each year/average stock.

Sources: The Bureau of the Public Debt of the US, Federal Reserve Bank of New York, Bank of Canada, United Kingdom Debt Management Office, London Stock Exchange, *Australian Financial Markets Report*, Reserve Bank of New Zealand, Japan Ministry of Finance, and Japan Securities Dealer Association.



The volume of transactions in the treasury bill market was comparable to the previous fiscal year and remains well below the highs in the mid-1990s, when the level of the treasury bill stock was at its peak. In 2005–06, total treasury bill trading volume was \$1,491 billion (see Chart 11). The average quarterly turnover ratio increased to 2.97 in 2005–06 from 2.89 in 2004–05, but remains lower than the corresponding measure of government bond market activity.

Chart 11
**Government of Canada Treasury Bills
Trading Volume and Turnover Ratio**



Note: Trading volume is total volume of trading by government securities distributors in each quarter. Turnover ratio is total trading volume in each quarter/stock.

Source: Bank of Canada.

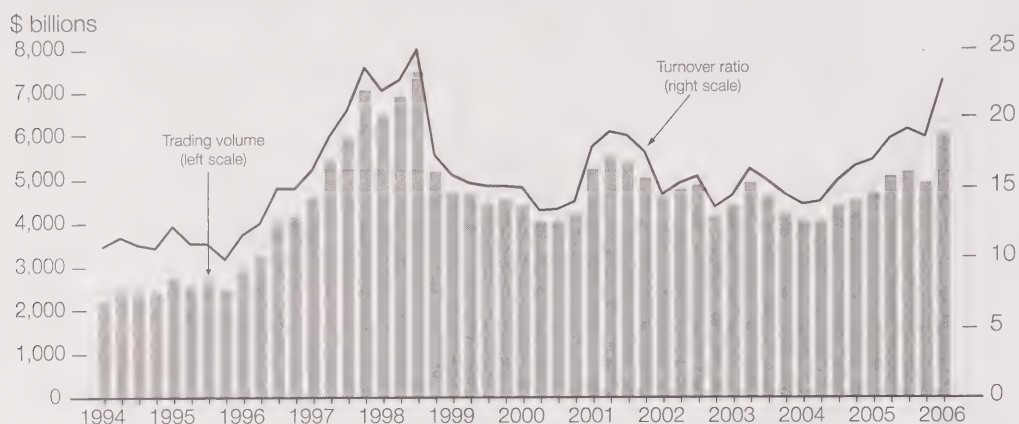
Both Government of Canada bond repos and treasury bill repos remained active in 2005–06. The total trading volume for Government of Canada bond repos in 2005–06 was \$21,201 billion, up from \$17,594 billion in 2004–05. The average quarterly turnover ratio for bond repos in 2005–06 was 19.7 times compared to 15.7 times in 2004–05 (see Chart 12). The treasury bill repo market volume in 2005–06 was \$3,218 billion compared to \$3,582 billion in 2004–05 and the average quarterly turnover ratio dipped to 6.4 from 7.6 in 2004–05 (see Chart 13).

The futures contract based on the 10-year Government of Canada bond (the Canadian Government Bond contract or CGB contract) continues to be actively traded, as trading volume jumped to 4.7 million contracts in calendar year 2005, a 56-per-cent increase from 2004. The futures contract based on the 2-year Government of Canada bond (or the CGZ contract), launched in 2004, had a trading volume of only 0.1 million contracts in 2005, and was relaunched in July 2006 after a modification to the contract's specifications.



Chart 12

Government of Canada Bond Repos Trading Volume and Turnover Ratio



Note: Trading volume is total volume of trading by government securities distributors in each quarter. Turnover ratio is total trading volume in each quarter/stock.

Source: Bank of Canada.

Chart 13

Government of Canada Treasury Bill Repos Trading Volume and Turnover Ratio



Note: Trading volume is total volume of trading by government securities distributors in each quarter. Turnover ratio is total trading volume in each quarter/stock.

Source: Bank of Canada.

Trading by Market Participants

Bonds

Primary dealers' share of bond trading in the secondary market decreased slightly in 2005–06 from the previous year while other government securities distributors' share increased, continuing the trend since 2002–03. The 10 most active participants in the bond secondary market represented about 94 per cent of trading activity (see Table 11).

Table 11

Bond Trading: Market Share of Participants

Participant Type	2002–03	2003–04	2004–05	2005–06
			(%)	
PDs	93.3	92.6	91.3	90.7
Other GSDs	6.7	7.4	8.7	9.3
Top 10 participants	95.9	95.1	93.9	94.2

Source: Bank of Canada.

Treasury Bills

Primary dealers maintained a dominant share of the treasury bill secondary market, representing about 98 per cent of total trading volume. The 10 most active participants in the treasury bill secondary market represented about 99 per cent of trading activity (see Table 12). Both measures are in line with the levels seen in recent years.

Table 12

Treasury Bill Trading: Market Share of Participants

Participant Type	2002–03	2003–04	2004–05	2005–06
			(%)	
PDs	98.4	98.4	98.1	97.7
Other GSDs	1.6	1.6	1.9	2.3
Top 10 participants	99.5	99.2	99.5	99.3

Source: Bank of Canada.

Cash Management

Receiver General (RG) cash balances, the Government of Canada's Canadian-dollar balances, are invested in a prudent, cost-effective manner through auctions with private sector financial institutions. Since February 1999, when the Large Value Transfer System was implemented, RG cash balances have been allocated to bidders twice daily through an auction process administered by the Bank of Canada. These auctions serve two main purposes: first, as a treasury management tool, they are the means by which the Government invests its short-term Canadian-dollar cash balances; second, the auctions are used by the Bank to neutralize the net impact of any public sector flows on the financial system.⁴

A portion of the morning auction has been offered on a collateralized basis since September 2002, permitting access to a wider group of potential participants, while ensuring that the Government's credit exposure is effectively mitigated.

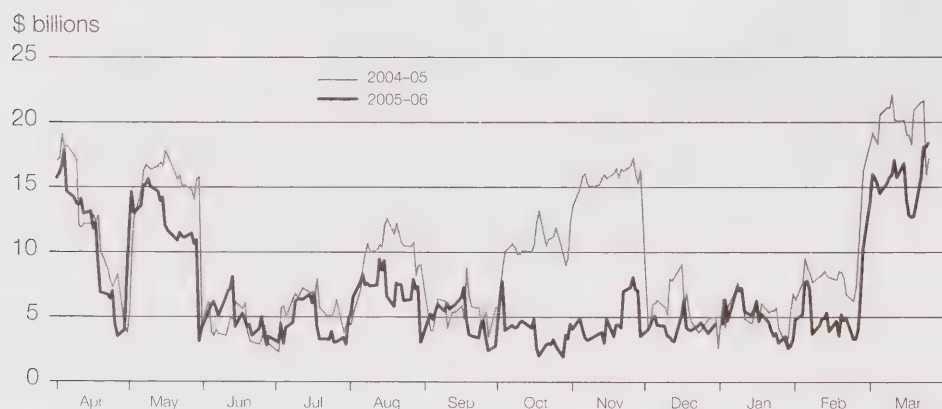
Treasury managers use a number of indicators with respect to cash management activities, including the average level of cash balances, coverage and tail at RG auctions, the performance of participants at RG auctions, effectiveness of the cash management bond buyback program, the cost of carry and the profile of treasury bill operations.

Total Receiver General Cash Balances

RG cash balances fluctuate widely over the year for a variety of reasons. In 2005–06 they reached a peak of \$18.3 billion and a low of \$1.9 billion (see Chart 14). Cash balances tend to be at their highest during the months of March, April, May and November in anticipation of the large flows related to fiscal year-end as well as the buildup of funds which are typically required to cover large bond coupon and principal maturities on June 1 and December 1.

Chart 14

Total Receiver General Balances



Source: Bank of Canada.

⁴ Public sector flows include federal government receipts and disbursements and Bank of Canada transactions.

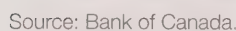
Table 13

	2002-03	2003-04	2004-05	2005-06
			(\$ billions)	
Average daily cash balances	6.1	7.9	8.2	5.6

Collateral arrangements were introduced in 2002 to mitigate the credit risk tied to the deposit of cash balances with counterparties. Participants with approval for uncollateralized bidding limits tend to maximize their uncollateralized lines prior to using their collateralized lines. Generally, at least 20 per cent of the balances are collateralized; however, in months of high balances, the proportion of collateralized balances can exceed 70 per cent (see Chart 15).

Receiver General Auctions

\$ billions





Coverage and Tails

In 2005–06, coverage at RG auctions improved from the previous fiscal year for the AM auction, and was above the rolling four-year average (see Table 14). This is a continuation of the trend from 2002–03, when the new RG collateralization framework was introduced to facilitate broader participation in AM auctions (for details on the RG collateralization framework see www.fin.gc.ca/dtman/2003-2004/dmr04_1e.html#Annex2). Coverage for the PM auctions was relatively unchanged.

The wider PM auction tails reflect the reduced number of participants and the different motivation of participants for that auction. The morning auction is a normal market operation, whereas the additional goal of the afternoon auction is the neutralization of Large Value Transfer System balances.

Table 14

Performance at Receiver General Auctions

	2002–03	2003–04	2004–05	2005–06	4-yr. avg.
AM auctions					
Coverage (ratio)	3.29	3.38	4.16	4.18	3.77
Tail (basis points)	0.91	1.68	1.26	1.76	1.41
PM auctions					
Coverage (ratio)	2.31	2.53	2.35	2.33	2.37
Tail (basis points)	3.04	3.09	2.96	3.49	3.16

Source: Bank of Canada.

Participation

The top 10 participants in the Large Value Transfer System (LVTS), the electronic system for the transfer of large payments, won about 80 per cent of RG auctions on average in 2005–06, while the top 10 non-LVTS participants won about 18 per cent of the amount allotted (see Table 15).

Table 15

Receiver General Auctions Share of Amount Allotted Between LVTS and Non-LVTS Participants

Participant Type	2002–03	2003–04	2004–05	2005–06
			(%)	
Top 10 LVTS	91.0	76.0	74.3	79.9
Top 10 non-LVTS	7.1	23.8	24.3	17.8

Source: Bank of Canada.



Evaluation of the Receiver General Cash Management Program

KPMG LLP was engaged in the winter of 2005–06, through the treasury evaluation program, to conduct a review of the Receiver General cash management program. The evaluation was ongoing at fiscal year-end. When complete, the results and departmental response will be posted on the Department of Finance website.

Cash Management Bond Buyback Program

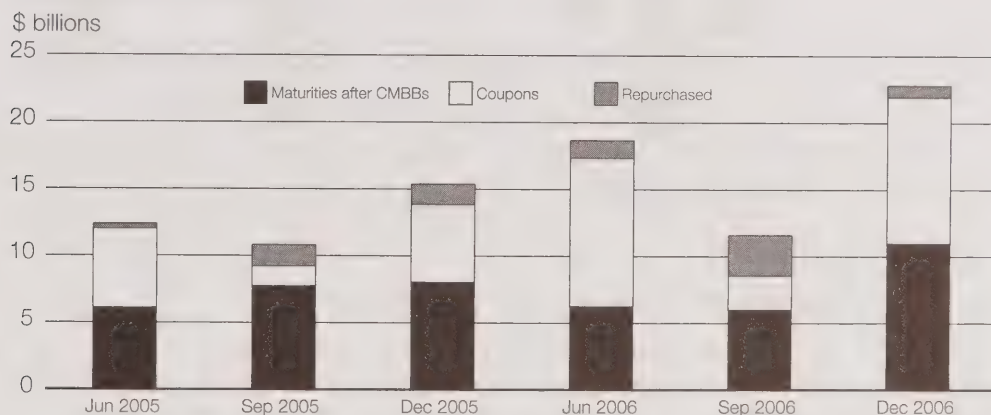
The cash management bond buyback (CMBB) program helps manage cash requirements by reducing the high levels of cash balances needed for key coupon and maturity payment dates. The program also helps smooth variations in treasury bill auction sizes over the year.

In 2005–06 the total amount of bonds repurchased through the CMBB program was \$8.7 billion, compared to \$12.9 billion in 2004–05. In 2004–05 and 2005–06 the CMBB program reduced the size of the 2005 June 1, September 1 and December 1 bond maturities by about 30 per cent, from a total outstanding of \$31.0 billion to \$21.9 billion (see Chart 16). The CMBB reduction in the outstanding size of these maturities is in addition to the \$2.7-billion reduction previously achieved through the regular buyback program. Together, the CMBB and regular buyback operations reduced the June, September and December 2005 maturities by 35 per cent.

Chart 16

Impact of CMBB Operations on Large Payments

As at March 31, 2006



Note: June, September and December 2006 maturities continued to be part of the CMBB program in the 2006–07 fiscal year.

Source: Bank of Canada.



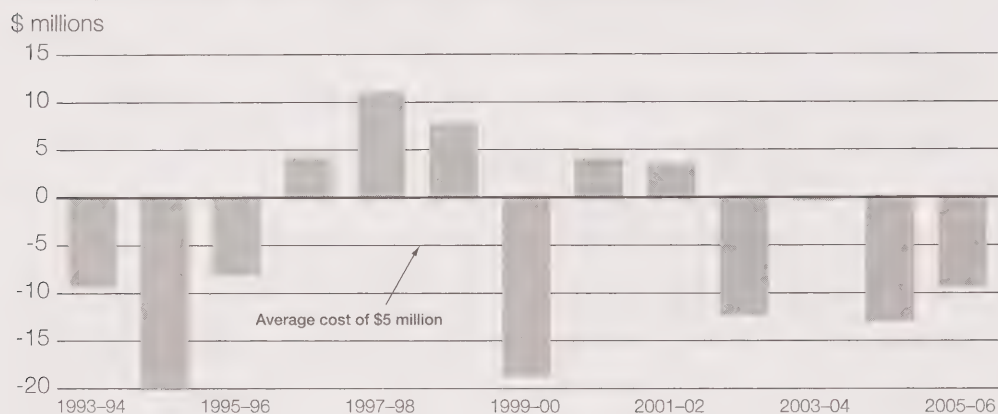
Cost of Carry

The key measure for the management of cash balances is the net return on cash balances: the difference between the return on government balances auctioned to financial institutions (typically around the overnight rate) and the average yield paid on treasury bills. A normal upward sloping yield curve results in a cost of carry, as financial institutions pay rates of interest for government deposits based on an overnight rate that is lower than the rate paid by the Government to borrow funds. Conversely, under an inverted yield curve, short-term deposit rates are higher than the average of 3- to 12-month treasury bill rates, which can result in a net gain for the Government.

In 2005–06, the cost of carrying RG cash balances was a net cost of \$9.4 million, compared to a net cost of \$13.1 million for the prior fiscal year (see Chart 17). This improvement was achieved, during an environment of relatively stable yield differentials, by keeping lower balances and maintaining large balances for shorter periods of time. This was made possible by a more active use of short-term cash management bills.

Chart 17

Cost (-) or Gain (+) of Carry for Cash Balances



Source: Bank of Canada.

Profile of Treasury Bill Operations

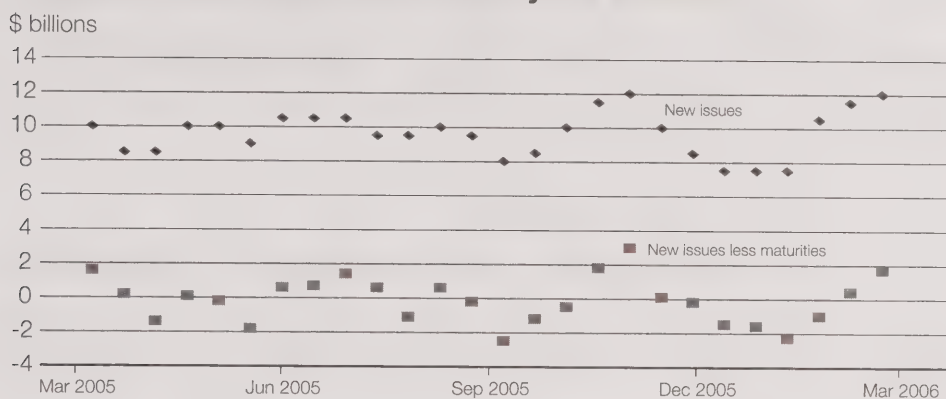
As the cost of carry is largely determined by the shape of the yield curve, an indicator of cash management activities is the profile of treasury bill operations (amount issued per auction date less amount maturing per auction date). Smooth profiles provide certainty of supply for market participants and help reduce the cost associated with large operations. The profile of treasury bill operations continued to be smooth in 2005–06, with net new issuance ranging from -\$2 billion to +\$3 billion per operation, with a standard deviation of \$1.4 billion (see Table 16). Gross issuance was also reasonably smooth, with a standard deviation of \$1.3 billion (see Chart 18).

Table 16
Profile of Net Size of Treasury Bill Issues

	2001-02	2002-03	2003-04	2004-05	2005-06
			(\$ billions)		
Range	-3 to 3	-4 to 4	-2 to +6	-2 to +4	-2 to +3
Standard deviation of new issues less maturities	1.3	1.9	2.3	1.2	1.4

Source: Bank of Canada.

Chart 18
Gross and Net Issuance at Treasury Bill Auctions



Source: Bank of Canada.

Audits and Evaluations

Audit of Administrative Controls Over the Domestic Debt

The audit of administrative controls over the domestic debt was completed in July 2004. While many aspects of the administrative controls were found to be operating effectively, a number of opportunities were observed and many recommendations to strengthen procedures have been pursued (see www.tbs-sct.gc.ca/rma/dpr1/04-05/FIN-FIN/Fin-Find4506_e.asp for more information).



Foreign Currency Debt Programs

Foreign currency debt is used to fund the foreign exchange reserves, which are held in the Exchange Fund Account. There are a variety of instruments available to meet foreign currency funding requirements.⁵ In 2005–06, the sources of reserves funding used were Canada bills and cross-currency swaps.

The Report on the Management of Canada's Official International Reserves, available at www.fin.gc.ca/toce/2006/oir06_e.html, provides information on the objectives, composition and performance of the reserves portfolio.

Canada Bills

In 2005–06 the level of outstanding Canada bills increased from \$3.9 billion (US\$3.2 billion) to \$4.7 billion (US\$4.0 billion). In 2005–06 Canada bills were issued, on average, at an all-in cost of US\$ LIBOR (London Inter-Bank Offered Rate) less 28 basis points, which was generally in line with the levels achieved in recent years.

Foreign Currency Bonds

In 2005–06, no new foreign currency bonds were issued, while a total of \$1.8 billion (US\$1.5 billion) matured. The total decline in the stock of outstanding foreign bonds, including exchange rate changes, was \$2.3 billion. The total outstanding was \$7.6 billion (US\$6.5 billion) at the end of 2005–06.

Canada Notes

There were no new Canada note issues or maturities in 2005–06, while a total of \$0.6 billion (US\$0.4 billion) matured. The total outstanding was \$0.5 billion (US\$0.4 billion) at the end of 2005–06.

Euro Medium-Term Notes

In 2005–06 no new Euro Medium-Term Notes were issued. The total outstanding decreased from \$1.7 billion (US\$1.5 billion) to \$1.5 billion (US\$1.3 billion).

⁵ Reported at par value using exchange rates from March 31, 2006.



Cross-Currency Swaps

In 2005–06, \$7.2 billion (US\$6.1 billion) was raised to fund the foreign exchange reserves by entering into 64 cross-currency swaps at an average cost of US\$ LIBOR less 35 basis points, which was generally in line with the levels achieved in recent years. A total of \$3.9 billion (US\$3.3 billion) of swaps matured in 2005–06. At the end of the 2005–06 fiscal year, the outstanding amount of cross-currency swaps totalled \$26.2 billion (US\$22.4 billion) (see Reference Table XI for transaction details). Taking into account the effect of cross-currency swaps, foreign currency obligations were 9.4 per cent of the Government's total market debt.

A collateral management framework is used to mitigate credit risk exposure to financial institution counterparties associated with cross-currency swap transactions. Under this framework, high quality collateral (e.g. cash, treasury bills) is pledged by counterparties when the net market value of their contracts with the Government of Canada exceeds specified limits. Over the fiscal year, given the strength of the Canadian dollar, most of the swaps were “in the money,” meaning that the market value of the swaps had increased. At the end of the 2005–06 fiscal year, the value of collateral posted by counterparties was \$1.2 billion (US\$1.0 billion).

Holdings of Government of Canada Debt

A diversified investor base helps to keep funding costs low by ensuring there is active demand for Government of Canada securities. Diversification of the investor base is pursued by maintaining a domestic wholesale debt program that is attractive to a wide range of investors, offering a retail debt program that provides savings products to suit the needs of individual Canadians, and using a broad array of funding sources in foreign borrowings.

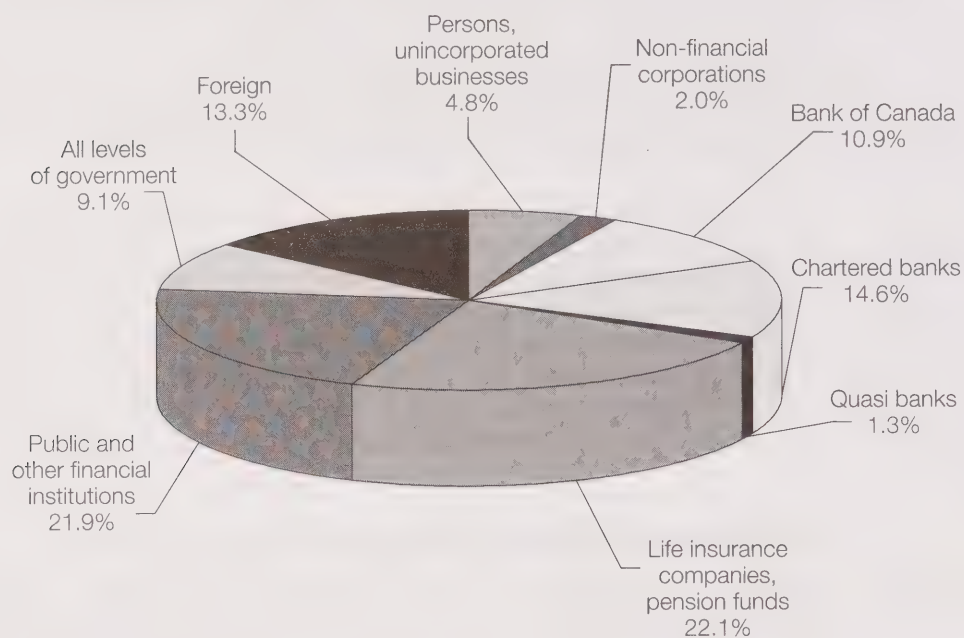
In 2005, based on Statistics Canada surveys, life insurance companies and pension funds accounted for the largest share of holdings of Government of Canada market debt (22.1 per cent), followed by public and other financial institutions such as investment dealers and mutual funds (21.9 per cent) and chartered banks (14.6 per cent) (see Chart 19). Taken together, these three sectors accounted for close to 60 per cent of total holdings.

Reference Table IV shows the evolution of the distribution of domestic holdings of Government of Canada debt since 1976, and illustrates that the holdings have become more diversified over that period.



Chart 19

**Distribution of Holdings of Government
of Canada Market Debt**
As at December 31, 2005



Source: Statistics Canada, *National Balance Sheet Accounts*.

Annex 1: Composition of the Federal Debt⁶

Gross Debt

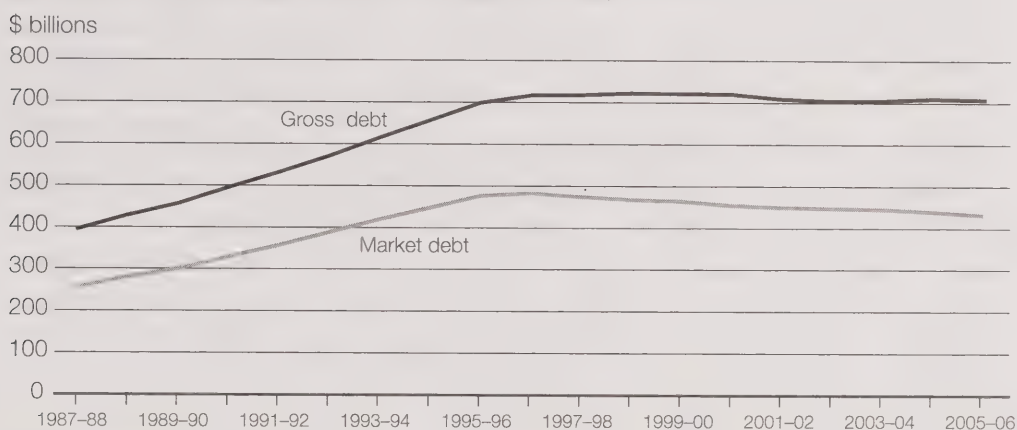
Gross debt is made up of unmatured debt and other liabilities. At the end of March 2006, gross debt totalled \$702.5 billion, down \$2.5 billion from the previous year and down \$11.1 billion from its peak of \$713.6 billion in 1999–2000.

Market Debt

Market debt is the portion of gross debt that is funded in the capital markets. Market debt consists of marketable bonds, treasury bills, foreign-currency-denominated bonds and bills, retail debt, and bonds held by the CPP. Foreign currency debt is issued on an opportunistic basis. At March 31, 2006, market debt outstanding was \$427.3 billion, down \$4.5 billion from the previous year (see Chart A1).

Chart A1

Evolution of Gross Debt and Market Debt



Source: Public Accounts of Canada.

Market Debt Adjustments

Market debt adjustments include unamortized premiums, discounts and commissions on market debt, cross-currency swap revaluations and capital lease obligations.

⁶ For more information, see the *Annual Financial Report of the Government of Canada* at www.fin.gc.ca/purl/afr-e.html



Other Liabilities

Other liabilities include liabilities held outside the capital markets. They include obligations to public sector pension plans, accounts payable and accrued liabilities and allowances. In 2005–06, other liabilities amounted to \$281.3 billion, up \$3.8 billion from the previous year.

Net Debt

Net debt is gross debt minus financial assets. Financial assets include cash, foreign exchange accounts and loans. Net debt declined by \$12.7 billion from \$549.6 billion in 2004–05 to \$536.9 billion in 2005–06. Financial assets increased by \$10.2 billion to \$165.6 billion.

Federal Debt

Federal debt, or the accumulated deficit, is net debt minus non-financial assets. Non-financial assets include tangible capital assets, inventories and prepaid expenses. Federal debt declined by \$13.2 billion, from \$494.7 billion in 2004–05 to \$481.5 billion in 2005–06. Non-financial assets increased by \$0.5 billion to \$55.4 billion.

Annex 2: Completed Treasury Evaluation Reports, 1992–2006

Area	Year
Debt Management Objectives	1992
Debt Structure—Fixed/Floating Mix	1992
Internal Review Process	1992
External Review Process	1992
Benchmarks and Performance Measures	1994
Foreign Currency Borrowing—Canada Bills Program	1994
Developing Well-Functioning Bond and Bill Markets	1994
Liability Portfolio Performance Measurement	1994
Retail Debt Program	1994
Guidelines for Dealing With Auction Difficulties	1995
Foreign Currency Borrowing—Standby Line of Credit and FRN	1995
Treasury Bill Program Design	1995
Real Return Bond Program	1998
Foreign Currency Borrowing Programs	1998
Initiatives to Support a Well-Functioning Wholesale Market	2001
Debt Structure Target/Modelling	2001
Reserves Management Framework	2002
Bond Buybacks	2003
Funds Management Governance Framework ¹	2004
Retail Debt Program ¹	2004
Borrowing Framework of Major Federal Government-Backed Entities ¹	2005
Receiver General Cash Management Program ²	2006
Exchange Fund Account Evaluation ²	2006

¹ Available at www.fin.gc.ca.

² Forthcoming.

Source: Department of Finance.



Annex 3: Glossary

basis point: One hundredth of a percentage point (0.01 per cent). Basis points are often used to measure changes in or differences between yields on fixed-income securities, since these often change by very small amounts.

benchmark bond: Specific issue which is typically the most liquid bond within each range of maturities. It is considered by the market to be the standard against which all other bonds issued in that term area are evaluated.

bid: Price at which an individual is willing to buy a security or commodity.

bid-offer spread: The standard differential between the bid price (at which the holder can sell) and the offer price (at which the holder can buy). On occasion this can be quite large and depends on the underlying price, liquidity, volatility and a number of other factors.

budgetary deficit: The shortfall between government annual revenues and annual budgetary expenses.

compound interest bond: A Canada Savings Bond or Canada Premium Bond on which interest accrues and is compounded annually to maturity or until redeemed.

Exchange Fund Account: The fund of foreign-currency-denominated assets which is maintained by the Government of Canada for the purpose of promoting order and stability of the Canadian dollar in the foreign exchange market. This account facilitates the selling of foreign exchange (buying Canadian dollars) when there is downward pressure on the currency and conversely is the recipient of foreign exchange inflows (selling of Canadian dollars) when there is upward pressure on the value of the Canadian dollar.

financial source/requirement: Measures the difference between the cash inflows and outflows of the Government's Receiver General account. In the case of a financial requirement, it is the amount of new borrowing required from outside lenders to meet financing needs in any given year.

foreign exchange reserves: Foreign exchange reserves are the foreign currency assets (e.g. interest-earning bonds) held to support the value of the domestic currency. Canada's foreign exchange reserves are held in the Exchange Fund Account.

Government of Canada securities auction: A process used for selling Government of Canada debt securities (mostly marketable bonds and treasury bills) in which issues are sold by public tender to government securities distributors and certain clients.

government securities distributor: An entity (i.e. an investment dealer or bank) that is authorized to bid at Government of Canada auctions and through which the Government distributes Government of Canada treasury bills and marketable bonds.



inflation: A persistent rise in the price of goods, services and factors of production over an extended period of time, as measured by a price index such as the Consumer Price Index or the gross domestic product deflator; it is the percentage change in the price index.

interest-bearing debt: Consists of unmatured debt, or market debt, and liabilities to internally held accounts such as federal employees' pension plans.

Large Value Transfer System: An electronic funds transfer system introduced in February 1999 and operated by the Canadian Payments Association. It facilitates the electronic transfer of Canadian-dollar payments across the country virtually instantaneously.

LIBOR: London Inter-Bank Offered Rate. The rate of interest offered by commercial banks to other banks for cash deposits on the London Inter-Bank Market.

marketable bond: An interest-bearing certificate of indebtedness issued by the Government of Canada, and having the following characteristics: bought and sold on the open market; payable in Canadian or foreign currency; subject to call or redemption before maturity; having a fixed date of maturity; interest payable either in coupon or registered form; and face value guaranteed at maturity.

marketable debt: Market debt that is issued by the Government of Canada and sold via public tender or syndication. These issues can be traded between investors while outstanding.

money market: The market in which short-term capital is raised, invested and traded using financial instruments such as treasury bills, bankers' acceptances, commercial paper, and bonds maturing in one year or less.

offer: Price at which an individual is willing to sell a security or commodity.

overnight rate; overnight financing rate; overnight money market rate; overnight lending rate: An interest rate at which participants with a temporary surplus or shortage of funds are able to lend or borrow until the next business day. It is the shortest term to maturity in the money market.

primary dealer: Member of the core group of government securities distributors that maintains a certain threshold of activity in the market for Government of Canada securities. The primary dealer classification can be attained in either treasury bills or marketable bonds, or both.

primary market: The market in which issues of securities are first offered to the public.

regular interest bond: A Canada Savings Bond or Canada Premium Bond on which interest is paid annually by cheque or by direct deposit to maturity or until redeemed.

repo; repurchase agreement: A financial transaction in which a dealer in effect borrows money by selling securities and simultaneously agreeing to buy them back at a higher price at a later time.



reverse repo; reverse repurchase agreement: A financial transaction in which a dealer purchases securities with an agreement to resell them at a higher price at a specific future date. This is essentially a loan of the security at a specific rate.

secondary market: A market where existing securities trade after they have been sold to the public in the primary market.

turnover ratio: Volume of securities traded as a percentage of securities outstanding.

yield curve: The conceptual or graphic representation of the term structure of interest rates. A normal yield curve is upward sloping, with short-term rates lower than long-term rates. An inverted yield curve is downward sloping, with short-term rates higher than long-term rates. A flat yield curve occurs when short-term rates are the same as long-term rates.

Annex 4: Contact Information

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XIV	Crown Corporation Borrowings as at March 31, 2006	88

Reference Table I

Fiscal years	Market debt	Market debt adjustment	Accounts payable and accrued liabilities		Pension & other liabilities	(\$ billions)			Non-financial assets	Accumulated deficit	Gross public debt charges	Fixed-rate portion of interest-bearing debt ¹ (%)
			+	+		+	+	+				
1985-86	201.2	-0.4	39.4	79.1	319.4	70.1	249.2	21.4	227.8	27.7	51.9	
1986-87	228.6	-0.4	42.1	84.7	355.0	73.2	281.8	24.2	257.7	28.7	50.9	
1987-88	250.8	-0.9	47.2	90.9	388.0	75.0	313.0	26.3	286.7	31.2	51.2	
1988-89	276.3	-2.2	50.2	97.1	421.4	77.9	343.6	29.0	314.6	35.5	49.6	
1989-90	294.6	-2.9	53.2	104.5	449.3	74.5	374.8	31.0	343.8	41.2	49.9	
1990-91	323.9	-3.2	54.9	112.1	487.7	76.6	411.1	33.4	377.7	45.0	50.4	
1991-92	351.9	-2.2	56.1	118.5	524.2	78.5	445.7	35.8	410.0	43.9	50.7	
1992-93	382.7	-3.0	58.4	125.1	563.2	76.0	487.2	38.2	449.0	41.3	50.4	
1993-94	414.0	-1.8	63.7	131.4	607.3	79.3	527.9	40.4	487.5	40.1	53.3	
1994-95	441.0	-3.4	71.3	139.8	648.7	81.2	567.5	43.3	524.2	44.2	55.1	
1995-96	469.5	-1.7	74.9	148.5	691.3	92.7	598.6	44.4	554.2	49.4	56.9	
1996-97	476.9	0.3	75.9	156.3	709.4	100.4	609.0	46.1	562.9	47.3	61.7	
1997-98	466.8	1.4	81.7	160.9	710.8	103.6	607.2	47.2	559.9	43.1	63.7	
1998-99	457.7	2.6	83.7	168.2	712.2	109.3	602.9	48.7	554.1	43.3	64.5	
1999-00	454.2	-0.2	83.9	175.8	713.6	123.5	590.1	50.2	539.9	43.4	66.5	
2000-01	444.9	1.3	88.5	179.0	713.6	141.9	571.7	51.7	520.0	43.9	67.8	
2001-02	440.9	0.9	83.2	177.9	703.0	137.7	565.3	53.4	511.9	39.7	67.4	
2002-03	438.6	-1.1	83.2	178.3	699.0	139.5	559.6	54.2	505.3	37.3	65.8	
2003-04	436.5	-2.5	85.2	180.9	700.1	149.1	551.0	54.8	496.2	35.8	63.8	
2004-05	431.8	-4.3	97.7	179.8	705.0	155.4	549.6	54.9	494.7	34.1	63.1	
2005-06	427.3	-6.1	101.4	179.9	702.5	165.6	536.9	55.4	481.5	33.8	62.5	

^a Calculation methodology may vary slightly from year to year. The definition of interest-bearing debt changed slightly in 2002–03 to reflect the adoption of the full accrual basis of accounting.

Sources: Public Accounts of Canada, Department of Finance estimates.

Reference Table II
Government of Canada Outstanding Market Debt

Fiscal year	Payable in Canadian dollars					Payable in foreign currencies							Less: Government's own holdings	Total market debt	Average interest rate (%)
	Treasury bills	Marketable bonds	Retail debt	CPP bonds	Total	Canada bills	Marketable bonds	Canada notes	Euro Medium-Term Notes	Notes and loans	Total				
	(\$ billions)														
1985-86	62.0	81.1	44.2	0.4	187.7	0.0	5.9	0.0	0.0	7.9	13.8	-0.3	201.2	10.66	
1986-87	77.0	94.4	44.3	1.8	217.5	1.0	5.9	0.0	0.0	5.1	12.0	-0.9	228.6	9.34	
1987-88	81.1	103.9	53.3	2.5	240.8	1.0	6.3	0.0	0.0	3.9	11.3	-1.2	250.8	9.61	
1988-89	102.7	115.7	47.8	3.0	269.2	1.1	5.3	0.0	0.0	1.9	8.3	-1.2	276.3	10.82	
1989-90	118.6	127.7	40.9	3.1	290.2	1.4	4.1	0.0	0.0	0.2	5.7	-1.3	294.6	11.20	
1990-91	139.2	143.6	34.4	3.5	320.7	1.0	3.5	0.0	0.0	0.0	4.5	-1.3	323.9	10.72	
1991-92	152.3	158.1	35.6	3.5	349.5	0.0	3.4	0.0	0.0	0.0	3.4	-1.0	351.9	8.86	
1992-93	162.1	178.5	34.4	3.5	378.4	2.6	2.9	0.0	0.0	0.0	5.4	-1.1	382.7	7.88	
1993-94	166.0	203.4	31.3	3.5	404.3	5.6	5.0	0.0	0.0	0.0	10.7	-1.0	414.0	6.75	
1994-95	164.5	225.7	31.4	3.5	425.1	9.0	7.9	0.0	0.0	0.0	16.9	-1.0	441.0	7.97	
1995-96	166.1	252.8	31.4	3.5	453.8	7.0	9.5	0.3	0.0	0.0	16.8	-1.0	469.5	7.34	
1996-97	135.4	282.6	33.5	3.5	454.9	8.4	12.5	2.1	0.0	0.0	23.0	-1.1	476.9	6.66	
1997-98	112.3	294.6	30.5	3.5	440.8	9.4	14.7	1.7	1.5	0.0	27.2	-1.2	466.8	6.64	
1998-99	97.0	295.8	28.2	4.1	425.0	10.2	19.6	1.3	4.9	0.0	36.0	-3.3	457.7	6.70	
1999-00	99.9	294.4	26.9	3.6	424.7	6.0	21.4	1.1	4.1	0.0	32.6	-3.1	454.2	6.15	
2000-01	88.7	295.5	26.4	3.5	414.1	7.2	21.2	1.6	3.7	0.0	33.7	-2.9	444.9	6.11	
2001-02	94.2	294.9	24.0	3.4	416.5	3.4	19.8	1.2	3.2	0.0	27.5	-3.1	440.9	5.56	
2002-03	104.6	289.2	22.6	3.4	419.8	2.6	14.5	1.2	3.3	0.0	21.6	-2.7	438.6	5.32	
2003-04	113.4	279.0	21.3	3.4	417.1	3.4	13.2	1.3	3.0	0.0	20.8	-1.5	436.5	4.90	
2004-05	127.2	266.7	19.1	3.4	416.3	3.9	9.9	1.1	1.7	0.0	16.5	-1.1	431.8	4.61	
2005-06	131.6	261.9	17.3	3.1	413.9	4.7	7.6	0.5	1.5	0.0	14.3	-1.0	427.3	4.73	

Source: *Public Accounts of Canada*.

Reference Table III
Average Weekly Domestic Market Trading in Government of Canada Securities, April 2005 to March 2006

	Treasury bills	Marketable bonds				Total marketable bonds	Total
		3 years and under	3 to 10 years	Over 10 years	Real Return Bonds		
				(\$ millions)			
April 2005	30,464	35,509	48,672	12,215	370	96,766	127,230
May 2005	29,535	33,055	51,673	12,373	332	97,433	126,968
June 2005	33,401	40,384	56,043	9,853	402	106,682	140,083
July 2005	25,667	36,323	51,912	9,287	236	97,758	123,425
August 2005	27,859	36,094	51,191	7,159	355	94,799	122,658
September 2005	31,971	49,744	60,888	9,237	300	120,169	152,140
October 2005	28,547	42,565	54,854	9,599	481	107,499	136,046
November 2005	28,038	36,769	50,396	10,457	662	98,284	126,322
December 2005	29,989	34,750	51,668	8,596	333	95,347	125,336
January 2006	28,195	41,064	53,796	11,865	247	106,972	135,167
February 2006	24,467	45,976	63,409	13,375	325	123,085	147,552
March 2006	25,846	43,787	62,229	12,431	507	118,954	144,800

Source: Bank of Canada.

Reference Table IV

Distribution of Domestic Holdings of Government of Canada Securities

PART A — Treasury Bills, Canada Bills, Bonds,¹ Canada Savings Bonds and Canada Premium Bonds

Year end	Persons and unincorporated businesses	Non-financial corporations	Bank of Canada	Chartered banks	Quasi-banks ²	Life insurance companies and pension funds	Public and other financial institutions ³	All levels of government ⁴	Foreign	Total ⁵
	(\$ millions)									
1976	17,932	395	8,242	8,666	716	1,436	2,273	730	1,652	42,042
1977	20,277	321	10,268	9,601	1,048	2,271	3,114	1,014	2,185	50,099
1978	22,723	403	12,001	9,896	1,537	3,738	4,017	1,721	4,770	60,806
1979	23,144	374	13,656	10,156	1,684	6,716	4,103	2,878	5,956	68,667
1980	24,253	555	15,858	10,002	2,771	9,274	5,561	4,248	7,630	80,152
1981	33,425	520	17,100	10,003	2,452	10,569	5,342	4,194	9,102	92,707
1982	42,320	2,267	15,428	11,233	3,288	13,151	9,177	4,654	10,737	112,255
1983	50,306	5,502	16,859	15,107	5,551	17,816	9,984	5,321	12,091	138,537
1984	60,748	6,783	17,184	15,164	4,887	24,039	11,978	7,166	16,205	164,154
1985	74,331	7,387	15,668	15,198	5,706	31,068	15,086	10,106	21,608	196,158
1986	71,073	6,259	18,374	17,779	7,277	34,887	18,414	11,293	33,060	218,416
1987	83,732	8,591	20,201	16,012	6,400	38,870	19,547	13,918	36,462	243,733
1988	86,591	8,634	20,606	21,115	7,492	42,460	19,028	17,186	51,134	274,246
1989	81,566	11,402	21,133	20,804	9,854	48,037	23,950	17,840	61,707	296,293
1990	80,079	11,797	20,325	24,224	10,460	52,984	26,051	19,574	72,586	318,080
1991	72,945	11,580	22,370	35,792	12,091	57,846	33,054	21,015	82,553	349,246
1992	70,930	13,696	22,607	44,555	12,428	62,042	39,396	20,222	88,878	374,754
1993	61,221	10,359	23,498	60,242	11,229	69,917	45,321	18,397	108,847	409,031
1994	52,842	12,039	24,902	70,063	9,992	78,545	52,847	24,967	110,080	436,277
1995	48,867	12,048	23,590	76,560	10,947	87,467	59,044	26,324	116,543	461,390
1996	46,187	10,013	25,556	74,789	10,952	90,174	71,514	24,828	118,474	472,487
1997	39,924	10,470	27,198	67,715	7,054	94,991	79,445	25,509	112,865	465,171
1998	33,537	8,525	27,911	66,375	6,659	99,687	79,895	28,174	106,763	457,526
1999	37,118	9,290	29,075	54,080	7,944	108,656	81,257	28,394	102,263	458,077
2000	33,259	9,062	31,726	58,269	2,842	108,752	73,911	30,280	91,477	439,578
2001	33,979	7,643	37,204	65,396	3,561	99,744	76,482	34,341	80,974	439,324
2002	22,860	8,417	38,859	66,057	3,307	97,463	81,521	33,436	88,237	440,157
2003	20,477	7,935	40,398	67,934	3,619	100,257	85,918	38,179	68,940	433,657
2004	21,547	8,175	41,119	52,673	4,850	96,555	90,647	36,419	61,858	413,843
2005	19,874	8,272	45,409	60,815	5,508	91,603	90,779	37,636	55,266	415,162


Reference Table IV (cont'd)
Distribution of Domestic Holdings of Government of Canada Securities
PART B —Treasury Bills, Canada Bills, Bonds,¹ Canada Savings Bonds and Canada Premium Bonds

Year end	Persons and unincorporated businesses		Non-financial corporations	Bank of Canada	Chartered banks	Quasi-banks ²	Life insurance companies and pension funds		Public and other financial institutions ³	All levels of government ⁴	Foreign	Total
							(%)					
1976	42.65	0.94	19.60	20.61	1.70	3.42	5.41	1.74	3.93	100.00		
1977	40.47	0.64	20.50	19.16	2.09	4.53	6.22	2.02	4.36	100.00		
1978	37.37	0.66	19.74	16.27	2.53	6.15	6.61	2.83	7.84	100.00		
1979	33.70	0.54	19.89	14.79	2.45	9.78	5.98	4.19	8.67	100.00		
1980	30.26	0.69	19.78	12.48	3.46	11.57	6.94	5.30	9.52	100.00		
1981	36.05	0.56	18.45	10.79	2.64	11.40	5.76	4.52	9.82	100.00		
1982	37.70	2.02	13.74	10.01	2.93	11.72	8.18	4.15	9.56	100.00		
1983	36.31	3.97	12.17	10.90	4.01	12.86	7.21	3.84	8.73	100.00		
1984	37.01	4.13	10.47	9.24	2.98	14.64	7.30	4.37	9.87	100.00		
1985	37.89	3.77	7.99	7.75	2.91	15.84	7.69	5.15	11.02	100.00		
1986	32.54	2.87	8.41	8.14	3.33	15.97	8.43	5.17	15.14	100.00		
1987	34.35	3.52	8.29	6.57	2.63	15.95	8.02	5.71	14.96	100.00		
1988	31.57	3.15	7.51	7.70	2.73	15.48	6.94	6.27	18.65	100.00		
1989	27.53	3.85	7.13	7.02	3.33	16.21	8.08	6.02	20.83	100.00		
1990	25.18	3.71	6.39	7.62	3.29	16.66	8.19	6.15	22.82	100.00		
1991	20.89	3.32	6.41	10.25	3.46	16.56	9.46	6.02	23.64	100.00		
1992	18.93	3.65	6.03	11.89	3.32	16.56	10.51	5.40	23.72	100.00		
1993	14.97	2.53	5.74	14.73	2.75	17.09	11.08	4.50	26.61	100.00		
1994	12.11	2.76	5.71	16.06	2.29	18.00	12.11	5.72	25.23	100.00		
1995	10.59	2.61	5.11	16.59	2.37	18.96	12.80	5.71	25.26	100.00		
1996	9.78	2.12	5.41	15.83	2.32	19.08	15.14	5.25	25.07	100.00		
1997	8.58	2.25	5.85	14.56	1.52	20.42	17.08	5.48	24.26	100.00		
1998	7.33	1.86	6.10	14.51	1.46	21.79	17.46	6.16	23.33	100.00		
1999	8.10	2.03	6.35	11.81	1.73	23.72	17.74	6.20	22.32	100.00		
2000	7.57	2.06	7.22	13.26	0.65	24.74	16.81	6.89	20.81	100.00		
2001	7.73	1.74	8.47	14.89	0.81	22.70	17.41	7.82	18.43	100.00		
2002	5.19	1.91	8.83	15.01	0.75	22.14	18.52	7.60	20.05	100.00		
2003	4.72	1.83	9.32	15.67	0.83	23.12	19.81	8.80	15.90	100.00		
2004	5.21	1.98	9.94	12.73	1.17	23.33	21.90	8.80	14.95	100.00		
2005	4.79	1.99	10.94	14.65	1.33	22.06	21.87	9.07	13.31	100.00		

Reference Table IV (cont'd)

Distribution of Domestic Holdings of Government of Canada Securities PART C — Treasury Bills and Canada Bills

Year end	Persons and unincorporated businesses	Non-financial corporations	Bank of Canada	Chartered banks	Quasi- banks ²	Life insurance companies and pension funds	Public and other financial institutions ³	All levels of government ⁴	Total
(\$ millions)									
1976	171	125	1,964	4,219	52	44	515	193	7,283
1977	394	136	2,461	4,949	143	98	1,020	311	9,512
1978	576	198	3,567	5,517	193	261	1,554	519	12,385
1979	785	165	4,345	6,690	65	245	1,550	843	14,688
1980	1,493	288	5,317	7,500	619	460	2,431	1,512	19,620
1981	1,019	369	5,431	8,597	343	560	2,187	1,082	19,588
1982	1,237	1,930	2,483	10,034	1,357	1,244	5,008	1,199	24,492
1983	3,766	5,146	2,595	12,879	3,180	2,587	5,376	1,286	36,815
1984	7,454	6,275	3,515	12,997	2,792	3,876	6,544	2,498	45,951
1985	13,340	6,517	3,985	12,629	3,651	3,924	8,129	4,136	56,311
1986	16,158	4,875	7,967	15,161	4,709	3,592	10,164	3,416	66,042
1987	17,733	7,232	9,682	11,498	3,725	4,806	9,589	5,002	69,267
1988	20,213	7,414	9,945	15,224	5,614	7,648	9,133	7,726	82,917
1989	29,156	9,668	11,124	17,410	8,116	9,664	12,908	9,251	107,297
1990	36,461	10,756	10,574	17,841	8,976	11,737	13,298	9,388	119,031
1991	30,423	10,437	13,093	24,382	9,089	12,386	17,636	10,417	127,863
1992	32,901	11,254	14,634	27,989	9,646	13,639	19,907	8,726	138,696
1993	27,459	9,657	16,876	29,901	9,222	17,085	22,336	7,151	139,687
1994	17,562	8,499	18,973	30,415	6,879	14,376	22,021	10,631	129,356
1995	16,296	9,204	18,298	30,865	7,760	15,315	25,183	10,603	133,524
1996	10,474	8,285	17,593	23,470	5,493	13,520	32,752	6,264	117,851
1997	5,966	6,858	14,233	19,448	3,133	8,944	32,653	3,803	95,038
1998	1,291	6,215	10,729	16,713	2,392	4,529	32,508	3,578	77,955
1999	8,539	6,662	8,584	9,814	3,234	8,128	36,932	3,497	85,390
2000	7,568	6,735	8,090	6,188	685	7,222	31,087	5,108	72,683
2001	8,744	6,990	11,427	9,969	675	10,401	37,154	6,838	92,198
2002	551	5,894	11,639	18,869	708	12,768	40,087	7,115	97,631
2003	1,803	5,366	11,733	25,150	943	14,443	41,335	7,647	108,420
2004	964	5,489	11,557	27,521	837	13,567	42,951	7,873	110,759
2005	13	5,498	15,383	31,045	1,159	14,718	43,177	9,166	120,159

Reference Table IV (cont'd)
Distribution of Domestic Holdings of Government of Canada Securities
 PART D—Treasury Bills and Canada Bills

Year end	Persons and unincorporated businesses	Non-financial corporations	Bank of Canada	Chartered banks	Quasi- banks (%)	Life insurance companies and pension funds	Public and other financial institutions	All levels of government	Total
1976	2.35	1.72	26.97	57.93	0.71	0.60	7.07	2.65	100.00
1977	4.14	1.43	25.87	52.03	1.50	1.03	10.72	3.27	100.00
1978	4.65	1.60	28.80	44.55	1.56	2.11	12.55	4.19	100.00
1979	5.34	1.12	29.58	45.55	0.44	1.67	10.55	5.74	100.00
1980	7.61	1.47	27.10	38.23	3.15	2.34	12.39	7.71	100.00
1981	5.20	1.88	27.73	43.89	1.75	2.86	11.16	5.52	100.00
1982	5.05	7.88	10.14	40.97	5.54	5.08	20.45	4.90	100.00
1983	10.23	13.98	7.05	34.98	8.64	7.03	14.60	3.49	100.00
1984	16.22	13.66	7.65	28.28	6.08	8.44	14.24	5.44	100.00
1985	23.69	11.57	7.08	22.43	6.48	6.97	14.44	7.34	100.00
1986	24.47	7.38	12.06	22.96	7.13	5.44	15.39	5.17	100.00
1987	25.60	10.44	13.98	16.60	5.38	6.94	13.84	7.22	100.00
1988	24.38	8.94	11.99	18.36	6.77	9.22	11.01	9.32	100.00
1989	27.17	9.01	10.37	16.23	7.56	9.01	12.03	8.62	100.00
1990	30.63	9.04	8.88	14.99	7.54	9.86	11.17	7.89	100.00
1991	23.79	8.16	10.24	19.07	7.11	9.69	13.79	8.15	100.00
1992	23.72	8.11	10.55	20.18	6.95	9.83	14.35	6.29	100.00
1993	19.66	6.91	12.08	21.41	6.60	12.23	15.99	5.12	100.00
1994	13.58	6.57	14.67	23.51	5.32	11.11	17.02	8.22	100.00
1995	12.20	6.89	13.70	23.12	5.81	11.47	18.86	7.94	100.00
1996	8.89	7.03	14.93	19.91	4.66	11.47	27.79	5.32	100.00
1997	6.28	7.22	14.98	20.46	3.30	9.41	34.36	4.00	100.00
1998	1.66	7.97	13.76	21.44	3.07	5.81	41.70	4.59	100.00
1999	10.00	7.80	10.05	11.49	3.79	9.52	43.25	4.10	100.00
2000	10.41	9.27	11.13	8.51	0.94	9.94	42.77	7.03	100.00
2001	9.48	7.58	12.39	10.81	0.73	11.28	40.30	7.42	100.00
2002	0.56	6.04	11.92	19.33	0.73	13.08	41.06	7.29	100.00
2003	1.66	4.95	10.82	23.20	0.87	13.32	38.12	7.05	100.00
2004	0.87	4.96	10.43	24.85	0.76	12.25	38.78	7.11	100.00
2005	0.01	4.58	12.80	25.84	0.96	12.25	35.93	7.63	100.00

Reference Table IV (cont'd)
Distribution of Domestic Holdings of Government of Canada Securities
 PART E—Bonds¹

Year end	Persons and unincorporated businesses	Non-financial corporations	Bank of Canada	Chartered banks	Quasi- banks ²	Life insurance companies and pension funds	Public and other financial institutions ³	All levels of government ⁴	Total
(\$ millions)									
1976	17,761	270	6,278	4,447	664	1,392	1,758	537	33,107
1977	19,883	185	7,807	4,652	905	2,173	2,094	703	38,402
1978	22,147	205	8,434	4,379	1,344	3,477	2,463	1,202	43,651
1979	22,359	209	9,311	3,466	1,619	6,471	2,553	2,035	48,023
1980	22,760	267	10,541	2,502	2,152	8,814	3,130	2,736	52,902
1981	32,406	151	11,669	1,406	2,109	10,009	3,155	3,112	64,017
1982	41,083	337	12,945	1,199	1,931	11,907	4,169	3,455	77,026
1983	46,540	356	14,264	2,228	2,371	15,229	4,608	4,035	89,631
1984	53,294	508	13,669	2,167	2,095	20,163	5,434	4,668	101,998
1985	60,991	870	11,683	2,569	2,055	27,144	6,957	5,970	118,239
1986	54,915	1,384	10,407	2,618	2,568	31,295	8,250	7,877	119,314
1987	65,999	1,359	10,519	4,514	2,675	34,064	9,958	8,916	138,004
1988	66,378	1,220	10,661	5,891	1,878	34,812	9,895	9,460	140,195
1989	52,410	1,734	10,009	3,394	1,738	38,373	11,042	8,589	127,289
1990	43,618	1,041	9,751	6,383	1,484	41,247	12,753	10,186	126,463
1991	42,522	1,143	9,277	11,410	3,002	45,460	15,418	10,598	138,830
1992	38,029	2,442	7,973	16,566	2,782	48,403	19,489	11,496	147,180
1993	33,762	702	6,622	30,341	2,007	52,832	22,985	11,246	160,497
1994	35,280	3,540	5,929	39,648	3,113	64,169	30,826	14,336	196,841
1995	32,571	2,844	5,292	45,695	3,187	72,152	33,861	15,721	211,323
1996	35,713	1,728	7,963	51,319	5,459	76,654	38,762	18,564	236,162
1997	33,958	3,612	12,965	48,267	3,921	86,047	46,792	21,706	257,268
1998	32,246	2,310	17,182	49,662	4,267	95,158	47,387	24,596	272,808
1999	28,579	2,628	20,491	44,266	4,710	100,528	44,325	24,897	270,424
2000	25,691	2,327	23,636	52,081	2,157	101,530	42,824	25,172	275,418
2001	25,235	653	25,777	55,427	2,886	89,343	39,328	27,503	266,152
2002	22,309	2,523	27,220	47,188	2,599	84,695	41,434	26,321	254,289
2003	18,674	2,569	28,665	42,784	2,676	85,814	44,583	30,532	256,297
2004	20,583	2,686	29,526	25,152	4,013	82,988	47,696	28,546	241,226
2005	19,861	2,774	30,026	29,770	4,349	76,885	47,602	28,470	239,737

Reference Table IV (cont'd)
Distribution of Domestic Holdings of Government of Canada Securities
 PART F—Bonds¹

Year end	Persons and unincorporated businesses	Non-financial corporations	Bank of Canada	Chartered banks	Quasi- banks (%)	Life insurance companies and pension funds	Public and other financial institutions	All levels of government	Total
1976	53.65	0.82	18.96	13.43	2.01	4.20	5.31	1.62	100.00
1977	51.78	0.48	20.33	12.11	2.36	5.66	5.45	1.83	100.00
1978	50.74	0.47	19.32	10.03	3.08	7.97	5.64	2.75	100.00
1979	46.56	0.44	19.39	7.22	3.37	13.47	5.32	4.24	100.00
1980	43.02	0.50	19.93	4.73	4.07	16.66	5.92	5.17	100.00
1981	50.62	0.24	18.23	2.20	3.29	15.63	4.93	4.86	100.00
1982	53.34	0.44	16.81	1.56	2.51	15.46	5.41	4.49	100.00
1983	51.92	0.40	15.91	2.49	2.65	16.99	5.14	4.50	100.00
1984	52.25	0.50	13.40	2.12	2.05	19.77	5.33	4.58	100.00
1985	51.58	0.74	9.88	2.17	1.74	22.96	5.88	5.05	100.00
1986	46.03	1.16	8.72	2.19	2.15	26.23	6.91	6.60	100.00
1987	47.82	0.98	7.62	3.27	1.94	24.68	7.22	6.46	100.00
1988	47.35	0.87	7.60	4.20	1.34	24.83	7.06	6.75	100.00
1989	41.17	1.36	7.86	2.67	1.37	30.15	8.67	6.75	100.00
1990	34.49	0.82	7.71	5.05	1.17	32.62	10.08	8.05	100.00
1991	30.63	0.82	6.68	8.22	2.16	32.75	11.11	7.63	100.00
1992	25.84	1.66	5.42	11.26	1.89	32.89	13.24	7.81	100.00
1993	21.04	0.44	4.13	18.90	1.25	32.92	14.32	7.01	100.00
1994	17.92	1.80	3.01	20.14	1.58	32.60	15.66	7.28	100.00
1995	15.41	1.35	2.50	21.62	1.51	34.14	16.02	7.44	100.00
1996	15.12	0.73	3.37	21.73	2.31	32.46	16.41	7.86	100.00
1997	13.20	1.40	5.04	18.76	1.52	33.45	18.19	8.44	100.00
1998	11.82	0.85	6.30	18.20	1.56	34.88	17.37	9.02	100.00
1999	10.57	0.97	7.58	16.37	1.74	37.17	16.39	9.21	100.00
2000	9.33	0.84	8.58	18.91	0.78	36.86	15.55	9.14	100.00
2001	9.48	0.25	9.69	20.83	1.08	33.57	14.78	10.33	100.00
2002	8.77	0.99	10.70	18.56	1.02	33.31	16.29	10.35	100.00
2003	7.29	1.00	11.18	16.69	1.04	33.48	17.40	11.91	100.00
2004	8.53	1.11	12.25	10.43	1.66	34.40	19.77	11.83	100.00
2005	8.28	1.16	12.52	12.42	1.81	32.07	19.86	11.88	100.00

Note: Because of timing and valuation differences, the National Balance Sheet Accounts data contained in this table are not necessarily on the same basis as other data elsewhere in this publication (most of the data in this report is on a par-value basis—that is, outstanding securities are valued at par). For this reason, although the two sets of data yield very similar information, the data in this table is not strictly comparable with other data in this publication.

¹ Includes bonds denominated in foreign currencies.

² Includes Quebec savings banks, credit unions and caisses populaires, trust companies and mortgage loan companies.

³ Includes investment dealers, mutual funds, property and casualty insurance companies, sales, finance and consumer loan companies, accident and sickness branches of life insurance companies, other private financial institutions (not elsewhere included), federal public financial institutions, and provincial financial institutions.

⁴ Includes Government of Canada holdings of its own debt, provincial, municipal and hospital holdings, and holdings of the Canada Pension Plan and the Quebec Pension Plan.

⁵ May not add due to rounding.

Reference Table V

Non-Resident (Direct) Holdings of Government of Canada Debt

As at March 31	Marketable bonds ¹	Treasury bills and Canada bills (C\$ billions)	Total	Total as per cent of total market debt ² (%)
1979	5.0	0.9	5.9	
1980	5.6	0.7	6.3	
1981	6.8	1.1	7.9	
1982	8.8	1.1	9.9	
1983	10.0	1.6	11.6	
1984	10.3	2.6	12.9	
1985	14.5	4.6	19.1	
1986	22.1	3.0	25.1	
1987	30.3	4.7	35.0	15.2
1988	33.0	9.3	42.3	16.8
1989	41.3	15.7	57.0	20.5
1990	49.9	13.3	63.2	21.4
1991	57.6	16.1	73.7	22.7
1992	63.6	23.0	86.6	24.5
1993	80.1	28.3	108.4	28.2
1994	79.3	34.0	113.3	27.3
1995	73.7	39.2	112.9	25.5
1996	84.1	37.7	121.8	25.8
1997	91.8	27.7	119.4	24.9
1998	94.3	20.0	114.3	24.4
1999	86.6	19.4	106.0	22.9
2000	85.7	14.2	99.9	21.8
2001	83.5	10.5	94.0	20.9
2002	74.0	7.4	81.4	18.3
2003	80.7	8.5	89.2	20.2
2004	57.0	9.2	66.2	15.0
2005	53.5	8.2	61.7	14.3
2006	47.1	13.6	60.7	14.2

Note: Numbers may not add due to rounding.

¹ Includes bonds denominated in foreign currencies.

² Includes capital lease obligations. For the 1979–1986 period, market debt data (includes capital leases) is unavailable.

Source: Statistics Canada, *Canada's International Transactions in Securities*.

Reference Table VI
Fiscal 2005–06 Treasury Bill Program

Settlement date	Maturing				New issues				Net increment			Average tender yields					
	CMB¹	3 mo	6 mo	12 mo	Total	CMB¹	3 mo	6 mo	12 mo	Total	Total	Cumulative	O/S²	CMB¹	3 mo	6 mo	12 mo
																	(%)
April 1, 2005	4,500				4,500					0	-4,500	-4,500	122,700				
April 7, 2005	3,000	3,800	4,600		11,400		5,600	2,200	2,200	10,000	-1,400	-5,900	121,300		2.55	2.66	3.00
April 21, 2005		4,400		3,900	8,300		4,700	1,900	1,900	8,500	200	-5,700	121,500		2.46	2.55	2.77
May 5, 2005		5,300	4,600		9,900		4,700	1,900	1,900	8,500	-1,400	-7,100	120,100		2.46	2.56	2.81
May 19, 2005		5,900		4,000	9,900		5,600	2,200	2,200	10,000	100	-7,000	120,200		2.46	2.57	2.78
May 27, 2005					0	2,500				2,500	2,500	-4,500	122,700	2.45			
June 1, 2005					0	1,200				1,200	1,200	-3,300	123,900	2.45			
June 2, 2005		6,500	3,700		10,200		5,600	2,200	2,200	10,000	-200	-3,500	123,700		2.45	2.55	2.74
June 6, 2005	1,200				1,200					0	-1,200	-4,700	122,500				
June 10, 2005	2,500				2,500					0	-2,500	-7,200	120,000				
June 16, 2005		6,500		4,300	10,800		5,000	2,000	2,000	9,000	-1,800	-9,000	118,200		2.46	2.57	2.78
June 20, 2005					0	2,000				2,000	2,000	-7,000	120,200	2.44			
June 28, 2005					0	1,500				1,500	1,500	-5,500	121,700	2.44			
June 30, 2005		6,500	3,400		9,900		5,900	2,300	2,300	10,500	600	-4,900	122,300		2.47	2.57	2.74
July 4, 2005	2,000				2,000	2,000				2,000	0	-4,900	122,300	2.49			
July 6, 2005	3,500				3,500					0	-3,500	-8,400	118,800				
July 14, 2005		5,600		4,200	9,800		5,900	2,300	2,300	10,500	700	-7,700	119,500		2.56	2.74	2.99
July 21, 2005					0	700				700	700	-7,000	120,200	2.43			
July 27, 2005					0	2,000				2,000	2,000	-5,000	122,200	2.47			
July 28, 2005		4,700	4,400		9,100		5,900	2,300	2,300	10,500	1,400	-3,600	123,600		2.58	2.71	2.91
August 2, 2005	700				700					0	-700	-4,300	122,900				
August 3, 2005	2,000				2,000					0	-2,000	-6,300	120,900				
August 11, 2005		4,700		4,200	8,900		5,300	2,100	2,100	9,500	600	-5,700	121,500		2.63	2.83	3.09
August 22, 2005					0	2,500				2,500	2,500	-3,200	124,000	2.51			
August 25, 2005		5,600	5,000		10,600		5,300	2,100	2,100	9,500	-1,100	-4,300	122,900		2.76	2.90	3.15
August 29, 2005					0	2,500				2,500	2,500	-1,800	125,400	2.49			
Sept. 1, 2005					0	1,300				1,300	1,300	-500	126,700	2.49			
Sept. 6, 2005	2,500				2,500					0	-2,500	-3,000	124,200				
Sept. 8, 2005		5,600		3,800	9,400		5,600	2,200	2,200	10,000	600	-2,400	124,800		2.74	2.82	2.95
Sept. 13, 2005	1,300				1,300					0	-1,300	-3,700	123,500				
Sept. 16, 2005	2,500				2,500					0	-2,500	-6,200	121,000				
Sept. 22, 2005		5,000	4,700		9,700		5,300	2,100	2,100	10,500	800	-5,400	121,800		2.81	2.94	3.09
Sept. 28, 2005					0	1,000				1,000	1,000	-4,400	122,800	2.67			
October 3, 2005	1,000				1,000					0	-1,000	-5,400	121,800				
October 6, 2005	1,000	5,900		4,600	11,500		4,400	1,800	1,800	8,000	-3,500	-8,900	118,300		2.92	3.11	3.33
October 20, 2005		5,900	3,800		9,700	2,500	4,700	1,900	1,900	11,000	1,300	-7,600	119,600	2.95	3.02	3.23	3.44

Reference Table VI (cont'd)
Fiscal 2005-06 Treasury Bill Program

Settlement date	Maturing				New issues				Net increment			Average tender yields					
	CMB¹	3 mo	6 mo	12 mo	Total	CMB¹	3 mo	6 mo	12 mo	Total	Cumulative	O/S²	CMB¹	3 mo	6 mo	12 mo	
														(%)			
October 21, 2005					0	1,600				1,600	-6,000	121,200	2.96				
October 27, 2005					0	1,400				1,400	-4,600	122,600	2.94				
October 31, 2005					0	1,200				1,200	-3,400	123,800	2.95				
Nov. 1, 2005	4,100				4,100					0	-4,100	119,700					
Nov. 3, 2005		5,900		4,600	10,500		5,600	2,200	2,200	10,000	-500	119,200					
Nov. 7, 2005	2,600				2,600					0	-2,600	116,600					
Nov. 17, 2005		5,300	4,400		9,700		6,500	2,500	2,500	11,500	1,800	118,400					
Nov. 18, 2005					0	1,500				1,500	-7,300	119,900	2.94				
Nov. 24, 2005					0	2,000				2,000	-5,300	121,900	2.96				
Nov. 28, 2005					0	2,800				2,800	-2,500	124,700	3.08				
Dec. 1, 2005		5,300		3,700	9,000	1,500	6,800	2,600	2,600	13,500	4,500	129,200	3.09				
Dec. 2, 2005	1,500				1,500					0	-1,500	127,700					
Dec. 5, 2005	2,000				2,000					0	-2,000	125,700					
Dec. 12, 2005	1,500				1,500					0	-1,500	124,200					
Dec. 15, 2005	2,800	5,600	4,300		12,700	2,800	5,600	2,200	2,200	12,800	100	124,300	3.20				
Dec. 21, 2005					0	3,000				3,000	100	127,300	3.21				
Dec. 29, 2005		5,300		3,400	8,700		4,700	1,900	1,900	8,500	-200	127,100					
Jan. 3, 2006	2,800				2,800					0	-2,800	124,300					
Jan. 5, 2006	3,000				3,000					0	-3,000	121,300					
Jan. 12, 2006		4,400	4,600		9,000		4,100	1,700	1,700	7,500	-1,500	119,800					
Jan. 26, 2006		4,700		4,400	9,100	1,300	4,100	1,700	1,700	8,800	-300	119,500	3.43				
Jan. 27, 2006					0	2,500				2,500	-5,200	122,000	3.45				
Feb. 1, 2006	2,500				2,500					0	-2,500	119,500					
Feb. 3, 2006	1,300				1,300					0	-1,300	118,200					
Feb. 9, 2006		5,600	4,200		9,800		4,100	1,700	1,700	7,500	-2,300	115,900					
Feb. 21, 2006					0	2,500				2,500	-8,800	118,400	3.61				
Feb. 23, 2006		6,500		5,000	11,500	2,500	5,900	2,300	2,300	13,000	1,500	119,900	3.60				
March 9, 2006		6,800	4,300		11,100		6,500	2,500	2,500	11,500	400	120,300					
March 23, 2006		5,600		4,700	10,300		6,800	2,600	2,600	12,000	1,700	122,000					
March 24, 2006					0	3,000				3,000	-2,200	125,000	3.72				
March 27, 2006					0	2,200				2,200	0	127,200	3.73				
March 29, 2006					0	2,700				2,700	2,700	129,900	3.70				
March 31, 2006					0	1,700				1,700	4,400	131,600	3.71				
TOTAL	51,800	142,900	56,000	54,800	305,500	58,900	140,200	55,400	55,400	309,900	4,400						

¹ Cash management bill.

² Outstanding.

Source: Bank of Canada.



Reference Table VII
Fiscal 2005–06 Treasury Bill Auction Results

Auction date	Term (months)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Bid coverage	Tail (basis points)	Auction date	Term (months)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Bid coverage	Tail (basis points)
April 5, 2005	12	2,200	97.206	2.998	1.937	0.7	Aug. 9, 2005	6	2,100	98.610	2.827	1.857	0.8
April 5, 2005	3	5,600	99.321	2.546	2.094	0.3	Aug. 19, 2005	NF	2,500	99.828	2.510	2.722	1.0
April 5, 2005	6	2,200	98.792	2.657	1.861	0.3	Aug. 23, 2005	12	2,100	97.067	3.151	1.803	0.4
April 19, 2005	12	1,900	97.313	2.769	1.946	0.6	Aug. 23, 2005	3	5,300	99.265	2.758	2.058	0.4
April 19, 2005	3	4,700	99.344	2.461	2.320	0.3	Aug. 23, 2005	6	2,100	98.684	2.897	1.868	0.3
April 19, 2005	6	1,900	98.745	2.549	2.192	0.2	Aug. 26, 2005	NF	2,500	99.945	2.492	1.732	0.8
May 3, 2005	12	1,900	97.373	2.814	1.837	0.9	Sept. 1, 2005	NF	1,300	99.918	2.485	2.401	0.0
May 3, 2005	3	4,700	99.343	2.463	2.180	0.4	Sept. 6, 2005	12	2,200	97.139	2.953	1.926	0.9
May 3, 2005	6	1,900	98.838	2.555	1.998	0.7	Sept. 6, 2005	3	5,600	99.271	2.736	1.896	0.4
May 17, 2005	12	2,200	97.299	2.784	1.772	0.9	Sept. 6, 2005	6	2,200	98.613	2.820	1.997	0.6
May 17, 2005	3	5,600	99.344	2.458	2.118	0.5	Sept. 20, 2005	12	2,100	97.120	3.093	2.022	0.5
May 17, 2005	6	2,200	98.735	2.570	2.219	0.3	Sept. 20, 2005	3	5,300	99.250	2.813	2.301	0.4
May 26, 2005	NF ¹	2,500	99.906	2.449	2.942	2.1	Sept. 20, 2005	6	2,100	98.667	2.935	2.004	0.7
May 31, 2005	12	2,200	97.437	2.743	1.781	0.6	Sept. 22, 2005	CMB ²	1,000	99.900	2.602	2.159	1.8
May 31, 2005	3	5,600	99.346	2.451	2.188	0.3	Sept. 28, 2005	NF	1,000	99.963	2.673	3.481	2.7
May 31, 2005	6	2,200	98.840	2.549	1.981	0.4	Oct. 4, 2005	12	1,800	96.789	3.327	2.318	0.7
June 1, 2005	NF	1,200	99.966	2.450	3.591	0.0	Oct. 4, 2005	3	4,400	99.221	2.925	2.592	0.3
June 14, 2005	12	2,000	97.302	2.780	1.957	0.4	Oct. 4, 2005	6	1,800	98.473	3.110	2.556	0.5
June 14, 2005	3	5,000	99.344	2.459	2.365	0.3	Oct. 18, 2005	12	1,900	96.809	3.437	2.263	0.8
June 14, 2005	6	2,000	98.733	2.574	2.105	0.5	Oct. 18, 2005	3	4,700	99.194	3.025	2.322	0.4
June 17, 2005	NF	2,000	99.907	2.436	3.178	0.0	Oct. 18, 2005	6	1,900	98.533	3.234	2.513	0.6
June 27, 2005	NF	1,500	99.947	2.442	2.551	1.3	Oct. 19, 2005	NF	2,500	99.903	2.954	2.964	1.6
June 28, 2005	12	2,300	97.436	2.744	1.805	0.6	Oct. 21, 2005	NF	1,600	99.911	2.961	2.848	0.8
June 28, 2005	3	5,900	99.340	2.473	1.901	0.4	Oct. 26, 2005	NF	1,400	99.912	2.938	3.415	0.0
June 28, 2005	6	2,300	98.833	2.566	1.870	0.9	Oct. 31, 2005	NF	1,200	99.944	2.947	2.847	1.3
July 4, 2005	NF	2,000	99.986	2.494	2.328	0.6	Nov. 1, 2005	12	2,200	96.547	3.586	2.139	0.4
July 12, 2005	12	2,300	97.105	2.989	1.825	0.9	Nov. 1, 2005	3	5,600	99.169	3.120	2.219	0.5
July 12, 2005	3	5,900	99.317	2.563	2.233	0.4	Nov. 1, 2005	6	2,200	98.357	3.350	2.180	0.8
July 12, 2005	6	2,300	98.653	2.738	1.850	1.1	Nov. 15, 2005	12	2,500	96.556	3.720	2.055	0.5
July 21, 2005	NF	700	99.920	2.425	5.009	0.5	Nov. 15, 2005	3	6,500	99.139	3.233	2.418	0.5
July 25, 2005	NF	2,000	99.953	2.471	2.603	1.9	Nov. 15, 2005	6	2,500	98.450	3.420	2.177	0.4
July 26, 2005	12	2,300	97.282	2.914	2.067	0.6	Nov. 18, 2005	NF	1,500	99.888	2.936	3.623	0.4
July 26, 2005	3	5,900	99.312	2.581	2.104	0.3	Nov. 23, 2005	NF	2,000	99.911	2.958	3.178	0.7
July 26, 2005	6	2,300	98.766	2.714	1.961	0.6	Nov. 25, 2005	OMB	2,800	99.857	3.078	2.180	1.7
Aug. 9, 2005	12	2,100	97.014	3.086	2.064	0.4	Nov. 29, 2005	12	2,600	96.373	3.774	2.078	0.9
Aug. 9, 2005	3	5,300	99.298	2.634	1.829	0.6	Nov. 29, 2005	3	6,800	99.121	3.304	2.048	0.5

Reference Table VII (cont'd)

Fiscal 2005-06 Treasury Bill Auction Results

Auction date	Term (months)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Bid coverage	Tail (basis points)	Auction date	Term (months)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Bid coverage	Tail (basis points)
Nov. 29, 2005	6	2,600	98.269	3.533	2.067	0.7	Feb. 7, 2006	3	4,100	99.036	3.626	2.240	0.4
Dec. 1, 2005	NF	1,500	99.907	3.091	3.097	2.9	Feb. 7, 2006	6	1,700	98.287	3.787	2.373	0.8
Dec. 13, 2005	12	2,200	96.400	3.894	2.244	0.3	Feb. 20, 2006	CMB	2,500	99.567	3.607	2.359	0.8
Dec. 13, 2005	3	5,600	99.099	3.386	2.434	0.2	Feb. 21, 2006	12	2,300	96.152	4.013	2.150	0.5
Dec. 13, 2005	6	2,200	98.374	3.591	2.464	0.3	Feb. 21, 2006	3	5,900	99.013	3.712	2.098	0.4
Dec. 15, 2005	NF	2,800	99.833	3.205	2.800	0.5	Feb. 21, 2006	6	2,300	98.109	3.865	2.087	0.5
Dec. 20, 2005	NF	3,000	99.868	3.211	2.941	0.9	Feb. 23, 2006	CMB	2,500	99.587	3.601	2.128	0.9
Dec. 28, 2005	12	1,900	96.229	3.930	2.149	0.9	Mar. 7, 2006	12	2,500	96.325	3.979	2.218	0.5
Dec. 28, 2005	3	4,700	99.097	3.395	2.117	0.3	Mar. 7, 2006	3	6,500	98.997	3.775	2.279	0.2
Dec. 28, 2005	6	1,900	98.213	3.648	2.182	0.7	Mar. 7, 2006	6	2,500	98.253	3.864	2.259	0.3
Jan. 10, 2006	12	1,700	96.449	3.840	2.582	0.3	Mar. 21, 2006	12	2,600	96.173	3.990	2.106	0.9
Jan. 10, 2006	3	4,100	99.086	3.434	2.031	0.4	Mar. 21, 2006	3	6,800	98.993	3.788	2.275	0.8
Jan. 10, 2006	6	1,700	98.355	3.633	2.284	0.4	Mar. 21, 2006	6	2,600	98.097	3.891	2.181	0.9
Jan. 24, 2006	12	1,700	96.303	3.849	2.187	0.4	Mar. 23, 2006	NF	3,000	99.888	3.715	2.079	3.2
Jan. 24, 2006	3	4,100	99.072	3.490	2.204	0.6	Mar. 27, 2006	NF	2,200	99.908	3.730	3.068	0.9
Jan. 24, 2006	6	1,700	98.203	3.670	2.151	0.5	Mar. 29, 2006	NF	2,700	99.949	3.697	2.097	2.3
Jan. 25, 2006	NF	1,300	99.925	3.425	3.202	2.5	Mar. 31, 2006	NF	1,700	99.949	3.715	2.081	0.5
Jan. 27, 2006	NF	2,500	99.953	3.454	2.256	0.6							
Feb. 7, 2006	12	1,700	96.310	3.996	2.264	0.2	Total		309,900				

Note: Coverage is defined as the ratio of total bids at auction to the amount auctioned. Tail is defined as the high accepted yield minus the average yield.

¹ Non-fungible cash management bill.

² Cash management bill.

Source: Bank of Canada.

Reference Table VIII

Fiscal 2005–06 Canadian-Dollar Marketable Bond Program

Offering date	Delivery date	Maturity date	Maturing	Gross	Bond repurchase	Net
(\$ millions)						
Fixed-coupon bonds						
2005	2005					
April 6, 2005	April 11, 2005	June 1, 2037		300	296	4
April 21, 2005	April 26, 2005	September 1, 2010		300	321	-21
May 4, 2005	May 9, 2005	June 1, 2015		2,100	400	1,700
May 18, 2005	May 24, 2005	September 1, 2010		2,000	600	1,400
	June 1, 2005	*	6,110			-6,110
June 8, 2005	June 10, 2005	December 1, 2007		3,400	262	3,138
June 16, 2005	June 21, 2005	June 1, 2015		500	274	226
July 6, 2005	July 11, 2005	June 1, 2037		1,300	226	1,074
July 13, 2005	July 18, 2005	September 1, 2010		500	537	-37
July 27, 2005	July 29, 2005	December 1, 2007		207	115	92
August 10, 2005	August 15, 2005	June 1, 2015		2,100	470	1,630
August 24, 2005	August 29, 2005	September 1, 2010		2,000	405	1,595
	September 1, 2005	*	7,746			-7,746
September 14, 2005	September 16, 2005	December 1, 2007		3,400	600	2,800
September 21, 2005	September 26, 2005	June 1, 2015		400	172	228
October 5, 2005	October 11, 2005	September 1, 2010		300	304	-4
October 13, 2005	October 18, 2005	June 1, 2037		300	305	-5
November 2, 2005	November 7, 2005	June 1, 2016		2,100	351	1,749
November 16, 2005	November 21, 2005	September 1, 2011		1,900	95	1,805
	December 1, 2005	*	8,035			-8,035
December 7, 2005	December 12, 2005	June 1, 2016		400	181	219
December 14, 2005	December 16, 2005	June 1, 2008		2,400	270	2,130
2006	2006					
January 11, 2006	January 16, 2006	June 1, 2037		1,300	478	822
January 18, 2006	January 23, 2006	September 1, 2011		328	268	60
February 1, 2006	February 6, 2006	June 1, 2016		2,000	500	1,500
February 15, 2006	February 20, 2006	September 1, 2011		1,900	600	1,300
	March 1, 2006	*	267			-267
March 8, 2006	March 13, 2006	June 1, 2016		400	213	187
March 15, 2006	March 17, 2006	June 1, 2008		600	341	259

Reference Table VIII (cont'd)
Fiscal 2005-06 Canadian-Dollar Marketable Bond Program

Offering date	Delivery date	Maturity date	Maturing	Gross	Bond repurchase	Net
Real Return Bonds						
June 1, 2005	June 6, 2005	December 1, 2036		400		400
August 31, 2005	September 6, 2005	December 1, 2036		300		300
November 30, 2005	December 5, 2005	December 1, 2036		400		400
March 1, 2006	March 6, 2006	December 1, 2036		350		350
Total fiscal year 2005-06			22,157	33,885	8,584	3,144

(\$ millions)

* Maturing date.

Source: Bank of Canada.



Reference Table IX

Fiscal 2005–06 Marketable Bond Auction Results

Auction date	Term (years)	Maturity date	Coupon rate (%)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Auction coverage	Tail (basis points)
May 4, 2005	10	June 1, 2015	4.50	2,100	102.200	4.229	2.53	0.3
May 18, 2005	5	September 1, 2010	4.00	2,000	101.862	3.608	2.67	0.4
June 1, 2005	30	December 1, 2036	3.00 ¹	400	126.799	1.870	2.55	
June 8, 2005	2	December 1, 2007	2.75	3,400	99.692	2.880	2.31	0.5
July 6, 2005	30	June 1, 2037	5.00	1,300	111.690	4.321	2.55	0.5
August 10, 2005	10	June 1, 2015	4.50	2,100	103.211	4.098	2.48	0.5
August 24, 2005	5	September 1, 2010	4.00	2,000	102.246	3.507	2.61	0.2
August 31, 2005	30	December 1, 2036	3.00 ¹	300	128.156	1.815	2.68	
September 14, 2005	2	December 1, 2007	2.75	3,400	99.204	3.125	2.44	0.3
November 2, 2005	10	June 1, 2016	4.00	2,100	98.268	4.205	2.53	0.3
November 16, 2005	5	September 1, 2011	3.75	1,900	98.970	3.952	2.61	0.3
November 30, 2005	30	December 1, 2036	3.00 ¹	400	131.529	1.689	2.86	
December 14, 2005	2	June 1, 2008	3.75	2,400	99.753	3.857	2.57	0.2
January 11, 2006	30	June 1, 2037	5.00	1,300	115.451	4.118	2.63	0.2
February 1, 2006	10	June 1, 2016	4.00	2,000	98.261	4.209	2.79	0.3
February 15, 2006	5	September 1, 2011	3.75	1,900	98.000	4.159	2.99	0.0
March 1, 2006	30	December 1, 2036	3.00 ¹	350	137.129	1.490	2.67	
Total				29,350				

Note: Coverage is defined as the ratio of total bids at auction to the amount auctioned. Tail is defined as the high accepted yield minus the average yield.

¹ Real Return Bonds.

Source: Bank of Canada.

Reference Table X

Outstanding Government of Canada Canadian-Dollar Marketable Bonds as at March 31, 2006

Maturity date	Amount (\$ millions)	Coupon rate (%)	Maturity date	Amount (\$ millions)	Coupon rate (%)
Fixed-coupon bonds					
June 1, 2006	6,236	3.00	September 1, 2010	9,459	4.00
September 1, 2006	6,006	5.75	October 1, 2010	120	8.75
October 1, 2006	768	14.00	March 1, 2011	589	9.00
December 1, 2006	5,186	3.25	June 1, 2011	12,026	6.00
December 1, 2006	5,796	7.00	June 1, 2011	616	8.50
March 1, 2007	193	13.75	September 1, 2011	4,128	3.75
June 1, 2007	5,600	3.00	June 1, 2012	11,033	5.25
June 1, 2007	7,030	7.25	June 1, 2013	10,978	5.25
September 1, 2007	9,725	4.50	March 15, 2014	926	10.25
October 1, 2007	468	13.00	June 1, 2014	10,867	5.00
December 1, 2007	7,007	2.75	June 1, 2015	10,300	4.50
March 1, 2008	579	12.75	June 1, 2015	483	11.25
June 1, 2008	3,000	3.75	June 1, 2016	4,900	4.00
June 1, 2008	5,010	6.00	March 15, 2021	782	10.50
June 1, 2008	3,037	10.00	June 1, 2021	604	9.75
September 1, 2008	11,083	4.25	June 1, 2022	550	9.25
October 1, 2008	396	11.75	June 1, 2023	6,806	8.00
March 1, 2009	140	11.50	June 1, 2025	6,311	9.00
June 1, 2009	6,175	5.50	June 1, 2027	8,205	8.00
June 1, 2009	638	11.00	June 1, 2029	13,691	5.75
September 1, 2009	10,100	4.25	June 1, 2033	13,410	5.75
October 1, 2009	257	10.75	June 1, 2037	6,549	5.00
March 1, 2010	83	9.75			
June 1, 2010	7,254	5.50			
June 1, 2010	2,228	9.50			
			Total	237,328	

Reference Table X (cont'd)
Outstanding Government of Canada Canadian-Dollar Marketable Bonds as at March 31, 2006

Maturity date	Notional amount (\$ millions)	Inflation indexation	Amount after inflation indexation	Coupon rate (%)
Real Return Bonds				
December 1, 2021	5,175	1,566	6,741	4.25
December 1, 2026	5,250	1,219	6,469	4.25
December 1, 2031	5,800	1,068	6,868	4.00
December 1, 2036	4,250	216	4,466	3.00
Total	20,475	4,069	24,544	

Source: Bank of Canada.

Reference Table XI

Government of Canada Swaps Outstanding as at March 31, 2006

Domestic interest-rate swaps				Foreign interest-rate swaps			
Maturity date	Notional amount (CAD\$ millions)	Notional amount (US\$ millions)	Coupon ¹ (%)	Maturity date	Notional amount (CAD\$ millions)	Notional amount (US\$ millions)	Coupon ¹ (%)
Total	0	0		November 19, 2007	29.61	25.35	4.00
				November 5, 2008	233.60	200.00	5.25
				November 5, 2008	584.00	500.00	5.25
				November 5, 2008	584.00	500.00	5.25
				Total	1,431.21	1,225.35	
Cross-currency swaps of foreign obligations				Foreign exchange swaps			
Maturity date	Notional amount (CAD\$ millions)	Notional amount (US\$ millions)		Maturity date	Notional amount (CAD\$ millions)	Notional amount (US\$ millions)	
October 3, 2007	372.59	319.00		September 6, 2006	146.00	125.00	
January 31, 2008	51.25	43.88		September 20, 2006	146.00	125.00	
Total	423.84	362.88		October 4, 2006	146.00	125.00	
				October 18, 2006	146.00	125.00	
				November 8, 2006	146.00	125.00	
				November 22, 2006	146.00	125.00	
				December 6, 2006	146.00	125.00	
				December 13, 2006	146.00	125.00	
				Total	1,168.00	1,000.00	

¹ Refers to the coupon of the underlying bond that was swapped.

Reference Table XI (cont'd)

Government of Canada Swaps Outstanding as at March 31, 2006

Cross-currency swaps of domestic obligations				Cross-currency swaps of domestic obligations			
Maturity date	Notional amount	Notional amount	Currency paid	Maturity date	Notional amount	Notional amount	Currency paid
	(CAD\$ millions)	(US\$ millions)			(CAD\$ millions)	(US\$ millions)	
September 1, 2006	70.77	60.59	EUR	June 1, 2008	58.40	50.00	USD
October 1, 2006	58.40	50.00	USD	June 1, 2008	70.77	60.59	EUR
October 1, 2006	58.40	50.00	USD	June 1, 2008	70.77	60.59	EUR
October 1, 2006	70.77	60.59	EUR	June 1, 2008	70.77	60.59	EUR
October 30, 2006	292.00	250.00	USD	June 1, 2008	70.77	60.59	EUR
November 23, 2006	175.20	150.00	USD	June 1, 2008	116.80	100.00	USD
December 1, 2006	64.18	54.95	USD	June 1, 2008	116.80	100.00	USD
December 1, 2006	70.77	60.59	EUR	June 1, 2008	116.80	100.00	USD
December 1, 2006	70.77	60.59	EUR	June 1, 2008	116.80	100.00	USD
December 1, 2006	106.15	90.88	EUR	June 1, 2008	292.00	250.00	USD
December 1, 2006	106.15	90.88	EUR	September 30, 2008	58.40	50.00	USD
March 1, 2007	35.38	30.29	EUR	October 1, 2008	58.40	50.00	USD
June 1, 2007	70.77	60.59	EUR	October 1, 2008	70.77	60.59	EUR
June 1, 2007	70.77	60.59	EUR	October 1, 2008	70.77	60.59	EUR
June 1, 2007	70.77	60.59	EUR	October 1, 2008	81.76	70.00	USD
June 1, 2007	87.60	75.00	USD	October 1, 2008	81.76	70.00	USD
June 1, 2007	87.60	75.00	USD	October 1, 2008	106.15	90.88	EUR
June 1, 2007	141.53	121.18	EUR	October 1, 2008	106.15	90.88	EUR
June 1, 2007	292.00	250.00	USD	March 1, 2009	58.40	50.00	USD
June 1, 2007	292.00	250.00	USD	March 1, 2009	58.40	50.00	USD
June 1, 2007	292.00	250.00	USD	March 1, 2009	58.40	50.00	USD
October 1, 2007	35.38	30.29	EUR	March 1, 2009	70.77	60.59	EUR
October 1, 2007	70.77	60.59	EUR	March 1, 2009	75.92	65.00	USD
October 1, 2007	70.77	60.59	EUR	March 1, 2009	81.76	70.00	USD
October 1, 2007	70.77	60.59	EUR	March 1, 2009	87.60	75.00	USD
March 1, 2008	58.40	50.00	USD	March 1, 2009	87.60	75.00	USD
March 1, 2008	58.40	50.00	USD	March 1, 2009	106.15	90.88	EUR
March 1, 2008	58.40	50.00	USD	March 1, 2009	116.80	100.00	USD
March 1, 2008	58.40	50.00	USD	June 1, 2009	58.40	50.00	USD
March 1, 2008	58.40	50.00	USD	June 1, 2009	58.40	50.00	USD
March 1, 2008	70.77	60.59	EUR	June 1, 2009	70.77	60.59	EUR
March 1, 2008	87.60	75.00	USD	June 1, 2009	70.77	60.59	EUR
March 1, 2008	106.15	90.88	EUR	June 1, 2009	70.77	60.59	EUR
March 1, 2008	116.80	100.00	USD	June 1, 2009	75.92	65.00	USD
March 1, 2008	233.60	200.00	USD	June 1, 2009	81.76	70.00	USD
June 1, 2008	58.40	50.00	USD	June 1, 2009	81.76	70.00	USD
June 1, 2008	58.40	50.00	USD	June 1, 2009	106.15	90.88	EUR

Government of Canada Swaps Outstanding as at March 31, 2006

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Reference Table XI (continued)

Government of Canada

[illegible]

Notes: USD converted with CAD/USD rate as of March 31, 2006. EUR converted with CAD/EUR rate as of March 31, 2006. JPY converted with USD/JPY and CAD/USD rates as of March 31, 2006. Numbers may not add due to rounding.

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Reference Table XII
Bond Buyback Program—Operations in 2005–06

Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)	Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)
Buyback on cash basis May 4, 2005	June 1, 2011	6.00	188	September 14, 2005	September 1, 2008	4.25	72
	June 1, 2011	8.50	6		June 1, 2009	5.50	393
	June 1, 2012	5.25	50		June 1, 2010	5.50	135
	March 15, 2014	10.25	25		Total		600
	June 1, 2023	8.00	10	November 2, 2005	June 1, 2023	8.00	75
May 18, 2005	June 1, 2025	9.00	105		June 1, 2025	9.00	219
	June 1, 2027	8.00	15		June 1, 2027	8.00	57
	Total		400		Total		351
	June 1, 2009	5.50	402	November 16, 2005	June 1, 2009	5.50	25
June 8, 2005	June 1, 2010	5.50	78		June 1, 2013	5.25	70
	June 1, 2011	6.00	15		Total		95
	June 1, 2012	5.25	105	December 14, 2005	September 1, 2008	4.25	245
	Total		600		June 1, 2009	5.50	25
July 6, 2005	June 1, 2009	5.50	180		Total		270
	June 1, 2010	5.50	82	January 11, 2006	March 15, 2021	10.50	200
	Total		262		June 1, 2023	8.00	33
	June 1, 2023	8.00	15		June 1, 2025	9.00	60
	June 1, 2025	9.00	158		June 1, 2027	8.00	150
August 10, 2005	June 1, 2027	8.00	20		June 1, 2029	5.75	35
	June 1, 2029	5.75	33	February 1, 2006	Total		478
	Total		226		June 1, 2013	5.25	387
	June 1, 2011	6.00	120		June 1, 2023	8.00	53
	June 1, 2012	5.25	115		June 1, 2025	9.00	50
August 24, 2005	June 1, 2023	8.00	88		June 1, 2029	5.75	10
	June 1, 2025	9.00	75	February 15, 2006	Total		500
	June 1, 2027	8.00	72		June 1, 2009	5.50	25
	Total		470		June 1, 2010	5.50	200
	June 1, 2009	5.50	225		June 1, 2011	6.00	15
	June 1, 2010	5.50	85		June 1, 2013	5.25	360
	June 1, 2011	6.00	45		Total		600
	June 1, 2012	5.25	50		Grand Total		5,257
	Total		405				

Reference Table XII (cont'd)
Bond Buyback Program—Operations in 2005–06

Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)	Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)
Buyback on switch basis							
April 6, 2005	June 1, 2023	8.00	40	October 13, 2005	June 1, 2025	9.00	305
	June 1, 2025	9.00	206		Total		305
	June 1, 2027	8.00	50		June 1, 2025	9.00	181
	Total		296		Total		181
April 21, 2005	June 1, 2009	5.50	154	January 18, 2006	June 1, 2010	5.50	40
	June 1, 2010	5.50	136		October 1, 2010	8.75	2
	March 1, 2011	9.00	31		March 1, 2011	9.00	4
	Total		321		June 1, 2011	6.00	25
June 16, 2005	June 1, 2012	5.25	62	March 8, 2006	June 1, 2013	5.25	196
	June 1, 2023	8.00	62		Total		268
	June 1, 2025	9.00	131		June 1, 2013	5.25	9
	June 1, 2027	8.00	20		March 15, 2014	10.25	45
July 13, 2005	Total		274		March 15, 2021	10.50	20
	June 1, 2009	5.50	357		June 1, 2021	9.75	5
	June 1, 2011	6.00	180		June 1, 2025	9.00	135
	Total		537		Total		213
July 27, 2005	June 1, 2009	5.50	80	March 15, 2006	October 1, 2007	13.00	50
	June 1, 2010	5.50	35		June 1, 2010	5.50	266
	Total		115		June 1, 2011	6.00	25
	June 1, 2027	8.00	172		Total		341
September 21, 2005	Total		172		Grand Total		3,328
	June 1, 2010	5.50	304				
	Total		304				



Reference Table XII (cont'd)
Bond Buyback Program—Operations in 2005–06

Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)	Buyback date	Maturity date	Coupon (%)	Repurchased amount (\$ millions)
Cash management bond buyback April 5, 2005	June 1, 2005	3.50	345	September 20, 2005	December 1, 2005	3.00	109
	September 1, 2005	6.00	451	October 4, 2005	Total		109
	September 1, 2005	12.25	2		September 1, 2006	5.75	666
	December 1, 2005	3.00	200	October 18, 2005	Total		666
	December 1, 2005	8.75	2		December 1, 2005	3.00	90
April 19, 2005	Total		1,000		December 1, 2005	8.75	60
	September 1, 2005	6.00	116	November 1, 2005	September 1, 2006	5.75	850
	December 1, 2005	8.75	62		Total		1,000
	Total		178		December 1, 2005	3.00	30
May 3, 2005	June 1, 2005	3.50	25	December 13, 2005	December 1, 2005	8.75	108
	September 1, 2005	6.00	358		June 1, 2006	3.00	63
	December 1, 2005	8.75	65		September 1, 2006	5.75	300
	Total		448	December 28, 2005	Total		500
June 14, 2005	September 1, 2005	6.00	567		September 1, 2006	5.75	989
	December 1, 2005	3.00	355		December 1, 2006	7.00	11
	June 1, 2006	3.00	25	January 10, 2006	Total		1,000
	Total		947		September 1, 2006	5.75	215
June 28, 2005	September 1, 2005	6.00	47		Total		215
	December 1, 2005	3.00	50	January 24, 2006	June 1, 2006	3.00	114
	Total		97		December 1, 2006	3.25	175
July 12, 2005	December 1, 2005	3.00	100		Total		289
	Total		100	February 7, 2006	December 1, 2006	3.25	314
	September 1, 2005	6.00	22		Total		314
July 26, 2005	December 1, 2005	3.00	65		December 1, 2006	3.25	295
	December 1, 2005	8.75	16	February 21, 2006	December 1, 2006	7.00	60
	June 1, 2006	3.00	188		Total		355
August 9, 2005	Total		291		June 1, 2006	3.00	150
	September 1, 2005	6.00	22	Grand Total	December 1, 2006	3.25	30
	December 1, 2005	3.00	121		Total		180
	December 1, 2005	8.75	95				8,689
	June 1, 2006	3.00	762				
	Total		1,000				

Source: Bank of Canada.

Reference Table XIII

Canada Savings Bonds and Canada Premium Bonds, Fiscal 1983-84 to Fiscal 2005-06

Fiscal year	Gross sales	Redemptions (\$ millions)	Net change	Outstanding at fiscal year end
1983-84	11,584	5,934	5,650	38,403
1984-85	12,743	8,979	3,764	42,167
1985-86	15,107	12,667	2,440	44,607
1986-87	9,191	9,213	-22	44,585
1987-88	17,450	8,529	8,921	53,506
1988-89	14,962	20,418	-5,456	48,050
1989-90	9,338	16,151	-6,813	41,237
1990-91	6,720	13,220	-6,500	34,737
1991-92	9,588	8,437	1,151	35,888
1992-93	9,235	10,407	-1,172	34,716
1993-94	5,364	8,453	-3,089	31,627
1994-95	7,506	7,602	-96	31,531
1995-96	4,612	4,602	10	31,541
1996-97	5,747	3,697	2,050	33,591
1997-98	4,951	7,747	-2,796	30,795
1998-99	4,844	7,031	-2,187	28,608
1999-00	2,669	4,179	-1,510	27,098
2000-01	3,188	3,719	-531	26,567
2001-02	2,728	5,011	-2,283	24,284
2002-03	3,523	4,929	-1,406	22,878
2003-04	2,881	4,231	-1,350	21,528
2004-05	1,965	4,250	-2,285	19,243
2005-06	1,886	3,647	-1,761	17,482

Note: Figures are in accordance with Bank of Canada audited reports, which may vary from Public Accounts reports due to differences in classification.

Source: Bank of Canada.

Reference Table XIV
Crown Corporation Borrowings as at March 31, 2006

Borrowings from the market	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
					(\$ millions)					
Export Development Canada	7,820	10,077	12,967	16,888	18,406	20,481	20,375	17,178	16,191	13,730
Canadian Wheat Board ¹	6,474	6,698	6,786	542	425	397	378	12	6	0
Business Development Bank of Canada	3,371	3,839	4,223	4,723	5,102	5,726	6,263	7,302	7,432	7,898
Farm Credit Canada	1,926	3,026	4,317	5,083	5,695	7,096	8,082	9,209	10,181	11,133
Canada Mortgage and Housing Corporation	7,866	9,934	10,633	10,801	11,672	11,372	11,091	10,441	9,573	8,953
Canada Housing Trust ²						7,928	20,248	39,269	57,518	77,840
Petro-Canada Ltd.	432	443	471	338	0	0	0	0	0	0
Canada Ports Corporation	0	3	79	69	0	0	0	0	0	0
Canada Post Corporation	n/a	n/a	n/a	150	56	63	114	108	71	64
Other	226	258	222	46	44	40	39	45	36	79
Total	28,115	34,278	39,698	38,640	41,400	53,103	66,590	83,564	101,008	119,697

¹ Effective December 31, 1998, the Canadian Wheat Board ceased to be an agent of Her Majesty and a Crown corporation under the Financial Administration Act.

² Canada Housing Trust has been included in the government reporting entity effective April 1, 2005, as a result of the application of a new accounting standard.

Borrowings from the Consolidated Revenue Fund¹	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
					(\$ millions)					
Canada Mortgage and Housing Corporation	6,939	6,708	6,298	6,152	5,925	5,696	5,476	5,255	5,062	4,860
Canada Deposit Insurance Corporation	855	395	0	0	0	0	0	0	0	0
Farm Credit Canada	2,507	1,877	1,041	805	578	0	0	0	0	0
Other	204	179	121	77	84	104	38	62	61	127
Total	10,504	9,159	7,460	7,034	6,587	5,800	5,514	5,317	5,123	4,987

Note: Figures do not include "allowance for valuation."

¹ Figures have been adjusted to include accrued interest.

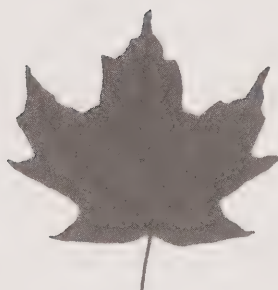
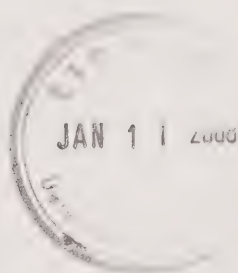
Source: *Public Accounts of Canada*.

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DEBT MANAGEMENT REPORT

2006–2007



Canada

DEBT MANAGEMENT REPORT

2006–2007

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Foreword by the Minister of Finance

Debt reduction is a cornerstone of our economic policy. In our long-term economic plan, *Advantage Canada*, we set out to create a Canadian Fiscal Advantage by eliminating the total government net debt in less than a generation, by 2021.

Like ordinary Canadian families, our government knows the importance of paying off the mortgage or making regular credit card payments.

We firmly believe that it would be irresponsible to pass this national debt onto future generations. Canadians have an obligation to pay for the overspending of previous governments. After all, we are the ones using those services and infrastructure today.

To date, we have made tremendous progress on the debt reduction front.

This year, our government plans to reduce the federal debt by \$10 billion, bringing total debt reduction since 2005–06 to over \$37 billion. This is the equivalent of \$1,570 for each man, woman and child in Canada.

Our government is committed to reducing the national debt by a further \$3 billion in 2008–09 and \$3 billion each year thereafter.

Thanks to this approach, our goal of reducing the debt-to-GDP (gross domestic product) ratio to below 25 per cent will be achieved by 2011–12, three years ahead of the original target date, marking the lowest debt burden since the late 1970s.

This is significant for Canadian individuals, families and businesses, as lower debt means less interest and lower taxes.

Under our Tax Back Guarantee, we are giving Canadians a direct stake and a direct benefit in how we manage government finances on their behalf. We are dedicating all interest savings from the shrinking federal debt to further reduce personal income taxes.

The total value of tax relief provided under the Tax Back Guarantee will rise to \$2.5 billion by 2012–13.

Our government's commitment to tax relief, to focused spending and to further debt reduction is unwavering. We will continue to manage government finances prudently and responsibly in order to make our strong economy even stronger and ensure a prosperous future for generations to come.

The Honourable James M. Flaherty, P.C., M.P.
Minister of Finance

Ottawa, December 2007



Purpose of This Publication

This edition of the *Debt Management Report* provides a detailed account of the Government of Canada's borrowing and cash operations for fiscal year April 1, 2006 to March 31, 2007.

It provides a comprehensive report on the environment in which the debt is managed, the composition and changes in the debt during the year, and the implementation of planned borrowing operations and initiatives set out in the 2006–07 *Debt Management Strategy*, published in April 2006. Reference tables containing statistics on the operation of debt programs are provided at the end of the report.

The information contained in this report is designed for a range of interested parties and to ensure transparency and accountability in Government of Canada borrowing and cash management activities. Information on the management of the foreign reserves is provided in a separate report, the *Report on the Management of Canada's Official International Reserves*. The *Debt Management Strategy*, the *Debt Management Report* and the *Report on the Management of Canada's Official International Reserves* are tabled annually in Parliament and are available on the Department of Finance website at www.fin.gc.ca.

Federal Debt Management

Management of the federal debt involves two major activities: actively managing the portion of the debt that is borrowed in financial markets; and investing part of the proceeds of borrowing in liquid assets until needed for operations. At March 31, 2007, the market debt was \$418.8 billion, composed of marketable bonds, treasury bills and cash management bills, retail debt, foreign currency debt and Canada Pension Plan (CPP) bonds. The Government held \$21.2 billion of domestic cash balances.

Market Debt	(C\$ billions)
<i>Payable in Canadian currency</i>	
Marketable bonds	257.5
(fixed-rate bonds with 2-, 5-, 10- and 30-year maturities and Real Return Bonds with 30-year maturities)	
Treasury bills and cash management bills	134.1
(zero-coupon securities with 1-day to 12-month maturities)	
Retail debt	15.2
(Canada Savings Bonds and Canada Premium Bonds)	
CPP bonds	1.7
<i>Payable in foreign currency</i>	
Marketable bonds and foreign currency notes	8.5
(fixed-rate bonds, Canada notes and Euro Medium-Term Notes)	
Canada bills	1.8
(zero-coupon securities with 1- to 9-month maturities)	
Total market debt	418.8
Liquid Financial Assets	
Short-term deposits with financial institutions	21.2

Note: Numbers may not add due to rounding.



This document is structured as follows:

- The introduction provides highlights of the debt program for 2006–07, as well as information related to governance and the debt strategy framework.
- Part I describes the fiscal environment in which the debt is managed and the composition of market debt.
- Part II reports on the implementation of borrowing program initiatives against the 2006–07 debt strategy by major theme: cost and risk of the debt structure; liquidity in the Government of Canada securities market; and participation at government securities auctions.
- Part III provides measures of outcomes during 2006–07 of domestic program operations and auction participation; indicators of secondary market activity; and indicators of foreign reserves funding.
- Annex 1 lists treasury evaluations performed since 1992, Annex 2 contains a glossary of debt management terms and Annex 3 contains contact information.
- Reference tables provide historical information on debt-related activities.



Introduction

Highlights

Continued Decline in Federal Indebtedness

In 2006–07, the level of federal indebtedness continued to decline. On a full accrual basis, the federal debt, or accumulated deficit, was reduced by \$14.2 billion to \$467.3 billion, down \$95.6 billion from its peak in 1996–97. Similarly, the federal market debt, composed of marketable bonds, treasury bills and cash management bills, retail debt, foreign currency debt and CPP bonds, was reduced by \$8.5 billion to \$418.8 billion, down \$58.1 billion from its peak in 1996–97.

Public debt charges were \$33.9 billion, up \$0.1 billion from fiscal year 2005–06, reflecting an increase in the average effective interest rate on the stock of interest-bearing debt. In 2006–07, they were \$15.5 billion lower than their high reached in fiscal year 1995–96. Public debt charges as a percentage of budgetary revenues have plummeted from a high of 37.6 per cent in 1990–91 to 14.4 per cent in 2006–07.

Adjusting the Structure of the Market Debt

Adjustments in the level of treasury bill and net bond issuance continued the process begun in 2003–04 of reducing the fixed-rate share of the debt from two-thirds to a target of 60 per cent. The fixed-rate share fell from 62.5 per cent to 61.9 per cent over the course of the year. The stock of treasury bills, including cash management bills, increased by \$2.5 billion to \$134.1 billion, while the stock of marketable bonds declined by \$3.7 billion to \$257.5 billion.

Maintaining a Liquid Government Securities Market

The main challenge in managing the federal debt in recent years has been to support the maintenance of a liquid, well-functioning government securities market as a source of stable low-cost funding in the face of declining borrowing requirements. To this end, debt operations during the 2006–07 fiscal year continued to focus on the liquidity of new issues and outstanding benchmark bonds. Gross issuance of new 5-year bonds was reduced to take advantage of fungibility (i.e. the ability to combine different bonds that share the same maturity date) to help support liquidity in all maturities.

Consolidated Borrowings of Crown Corporations

The Government announced in Budget 2007 that it plans to meet all of the domestic borrowing needs of the Business Development Bank of Canada, Canada Mortgage and Housing Corporation and Farm Credit Canada through direct lending to these Crown corporations, beginning in 2008. Prior to this change, these Crown corporations obtained funding directly through the capital markets, under their own name. The Government's own debt program will be adjusted to accommodate the additional need for funds.

Amendments to the Financial Administration Act

In 2007, amendments were made to the Financial Administration Act (FAA) regarding the Government's borrowing activities to provide greater transparency and accountability; and increase flexibility to meet future borrowing needs, particularly with respect to the consolidation of Crown borrowings.

Notably, the existing \$4-billion statutory non-lapsing limit on borrowing authority was replaced with a more flexible, simplified and streamlined framework that consolidates the borrowing authority into one general provision, under the authority of the Governor in Council.

The amendments also provided for enhanced disclosure on anticipated borrowing and planned uses of funds through the *Debt Management Strategy*; enhanced disclosure requirements on actual borrowing and uses of funds compared to those forecast through the *Debt Management Report*; and detailed information on outcomes provided in the Public Accounts.

The period within which the *Debt Management Report* must be tabled was also shortened from 45 to 30 sitting days following the tabling of the Public Accounts.

The added flexibility provided by these amendments to the FAA will facilitate more efficient, responsive and prudent financial management.

Improvement to the Code of Conduct for the Domestic Debt Market

The liquidity of the domestic debt market is a function of program design and public confidence in its integrity. The Investment Dealers Association of Canada (IDA) Policy No. 5, *Code of Conduct for IDA Member Firms Trading in Wholesale Domestic Debt Markets*, originally introduced in 1998 and developed jointly with the Bank of Canada and the Department of Finance, is the formal code of conduct for dealing practices in wholesale domestic debt markets. Revisions were made to the Policy in early 2006 to further strengthen integrity in the trading of Canadian fixed-income securities and thereby to encourage liquidity and efficiency, promote public confidence and encourage the maintenance of active Government of Canada securities trading and lending.



Debt Strategy Framework

Governance

Responsibility for strategic planning and the operational management of the market debt and liquid assets, including the foreign exchange reserves, which are collectively termed “funds management,” is jointly borne by officials at the Department of Finance and the Bank of Canada. The Bank of Canada acts as fiscal agent for the Minister of Finance in issuing debt, investing funds and conducting other market operations.

The oversight of activity is carried out through the Funds Management Committee (FMC), which comprises senior management from the Department of Finance and the Bank of Canada. The FMC advises the Minister of Finance on policy and strategy, oversees the implementation of approved policy and plans, and reviews performance outcomes.

The FMC is supported by the Risk Committee (RC), whose mandate is to oversee and advise on risk management policy and to report to the FMC on financial risk positions. The Financial Risk Office at the Bank of Canada provides analytical support to the RC in this role and is responsible for monitoring and regularly reporting on the financial performance and position of certain financial assets and foreign-currency-denominated derivatives, including market, credit, operational, liquidity and legal risks.

In order to inform future decision making and to support transparency and accountability, different aspects of the Government of Canada’s treasury activities are reviewed periodically under the Department of Finance’s treasury evaluation program. The program’s purpose is to obtain periodic external assessments of the frameworks and processes used in the management of wholesale and retail market debt, cash and reserves as well as the treasury activities of other entities under the authority of the Minister of Finance (see the Section “Program Reviews and Evaluations” in Part II and Annex 1).

For additional details on the governance framework, see the *Funds Management Governance Framework* at www.fin.gc.ca/treas/Goveev/TMGF_e.html.



Objectives and Principles

Management of Government of Canada funds encompasses issuance of debt, management of liquidity, and investment of financial assets. All funds management activities are conducted in view of overarching principles.

Key Principles

- **Efficiency and effectiveness:** Policy development and operations should take into account, to the extent possible, leading practices of other comparable sovereigns. Regular evaluations should be conducted to ensure the efficiency and effectiveness of the governance framework and of borrowing and investing programs.
- **Transparency and accountability:** Information on financial asset and liability management plans, activities and outcomes should be made publicly available in a timely manner. Information on borrowing costs, investment performance and material exposures to financial risk should be measured, monitored, controlled and regularly reported as applicable.

In addition, distinct objectives and principles have been established within the financial asset and liability management function pertaining to the management of domestic debt and cash, foreign reserves, and retail debt.

Domestic Debt and Cash Management Objectives

The fundamental objective of domestic debt and cash management is to raise stable and low-cost funding to meet the operational needs of the Government of Canada.

An associated objective is to maintain a well-functioning market in Government of Canada securities, which helps to keep debt costs low and benefits a wide array of domestic market participants.

Domestic Debt and Cash Management Principles

In pursuit of these objectives, the Government of Canada manages its activities according to a set of principles.

- **Transparency, regularity and liquidity:** The design and implementation of the domestic debt program should emphasize transparency, regularity and liquidity to support a well-functioning government securities market. The Government should consult regularly with market participants to ensure the integrity and attractiveness of the market for dealers and investors.
- **Prudence:** Prudence should be maintained by managing the structure of the debt, raising funds for domestic operational needs using a variety of instruments denominated in Canadian dollars, and managing exposure to credit risk through diversification.



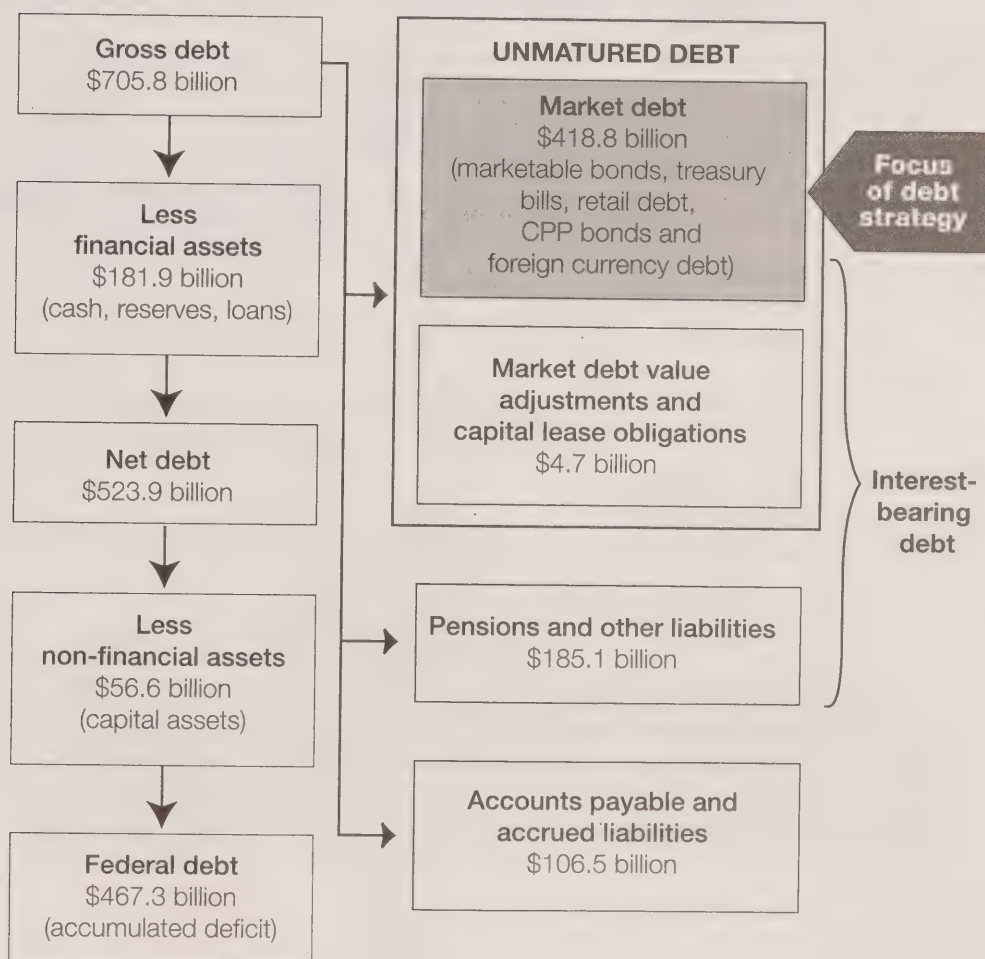
Part I: 2006–2007 Debt Management Context

Since the annual debt-servicing cost represents 15 per cent of total federal expenses, effective management of the federal debt is important to all Canadians. This section provides an overview of the context within which debt management decisions were taken in 2006–07.

Composition of the Federal Debt

The federal debt consists of the total liabilities of the Government of Canada (gross debt) minus financial and non-financial assets. The following diagram illustrates the relationships between the components of the federal debt, based on the 2006–07 fiscal year.

Federal Debt as at March 31, 2007



Note: Numbers may not add due to rounding.



For accounting purposes, gross debt is decomposed into: market debt, which is issued and outstanding in financial markets; value adjustments to market debt (for the foreign exchange value of swap liabilities and the net of unamortized premiums and discounts of new issues and buybacks); capital leases; and other liabilities. Other liabilities comprise liabilities held outside capital markets and include obligations to public sector pension plans as well as accounts payable and accrued liabilities and allowances.

Financial assets comprise cash on deposit with the Bank of Canada, chartered banks and other financial institutions, accounts receivable (including tax receivables), foreign exchange accounts, and loans, investments and advances.

Non-financial assets comprise tangible capital assets, inventories and prepaid expenses.

In 2006–07, the federal debt, or accumulated deficit, was reduced by \$14.2 billion to \$467.3 billion. Similarly, the federal market debt was reduced by \$8.5 billion to \$418.8 billion (see Table 1).

Table 1
Change in Composition of Federal Debt

	2002–03	2003–04	2004–05	2005–06	2006–07
	(\$ billions)				
Market debt	438.6	436.5	431.8	427.3	418.8
Market debt value adjustments	-1.1	-2.5	-4.3	-6.1	-4.7
Unmatured debt	437.5	434.0	427.4	421.1	414.1
Pension and other liabilities	178.3	180.9	179.8	179.9	185.1
Interest-bearing debt	615.8	614.9	607.2	601.0	599.2
Accounts payable and accrued liabilities	83.2	85.2	97.7	101.4	106.5
Gross debt	699.0	700.1	705.0	702.5	705.8
Less: financial assets	139.5	149.1	155.4	165.6	181.9
Net debt	559.6	551.0	549.6	536.9	523.9
Less: non-financial assets	54.2	54.8	54.9	55.4	56.6
Federal debt (accumulated deficit)	505.3	496.2	494.7	481.5	467.3

Note: Numbers may not add due to rounding.



The Budgetary Context

Budgetary Outcome and Public Debt Costs

The budgetary surplus of \$13.8 billion recorded in 2006–07 was the federal government's 10th consecutive surplus. Federal debt stood at \$467.3 billion at the end of 2006–07, down \$95.6 billion from its peak of \$562.9 billion in 1996–97. The federal debt-to-GDP ratio is 32.3 per cent, down from its peak of 68.4 per cent in 1995–96 (see Chart 1). As announced in the 2007 Economic Statement, the Government plans to achieve a debt-to-GDP ratio of 25 per cent by 2011–12, three years ahead of the original target.

Public debt charges were up \$0.1 billion to \$33.9 billion from 2005–06, and represented 5.7 per cent of interest-bearing debt, up 0.1 per cent from 2005–06, reflecting higher average effective interest rates on the stock of interest-bearing debt. However, public debt charges as a percentage of GDP declined to 2.3 per cent in 2006–07 from 2.5 per cent in 2005–06 (see Charts 1 and 2).

Public debt charges as a percentage of budgetary revenues have been decreasing in recent years, falling from the peak of 37.6 per cent in 1990–91 to 14.4 per cent in 2006–07. In other words, the Government spent just over 14 cents of every revenue dollar on interest payments on the public debt in 2006–07 (see Chart 2).

For additional information, see the 2006–07 *Annual Financial Report of the Government of Canada* at www.fin.gc.ca/purl/afr-e.html.

Chart 1
**Federal Debt and Public Debt Charges
as a Percentage of GDP**

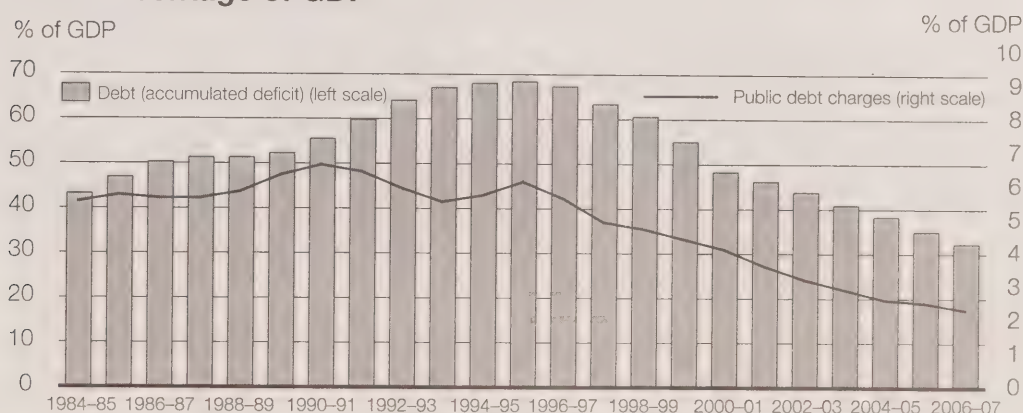
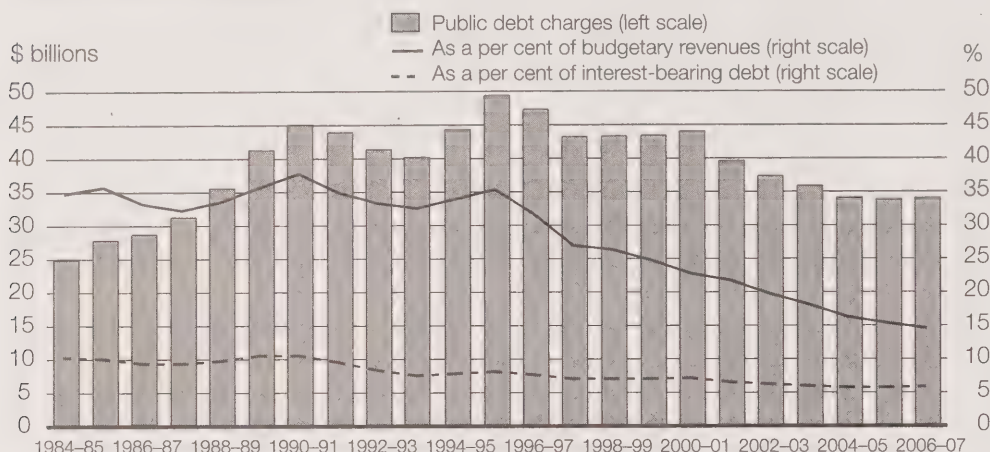




Chart 2
Public Debt Charges



Financial Source/Requirement

The key budgetary reference point for debt management is the financial source/requirement, which measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by the budgetary balance but also by the Government's non-budgetary transactions.

The budgetary balance is presented on a full accrual basis of accounting, recording government liabilities and assets when they are incurred or acquired, regardless of when the cash is paid or received. Non-budgetary transactions comprise changes in federal employee pension accounts; changes in non-financial assets; investing activities through loans, investments and advances; and other transactions (e.g. changes in other financial assets and liabilities and foreign exchange activities). Non-budgetary transactions also include adjustments made to convert the Government's financial statements from full accrual to cash accounting.

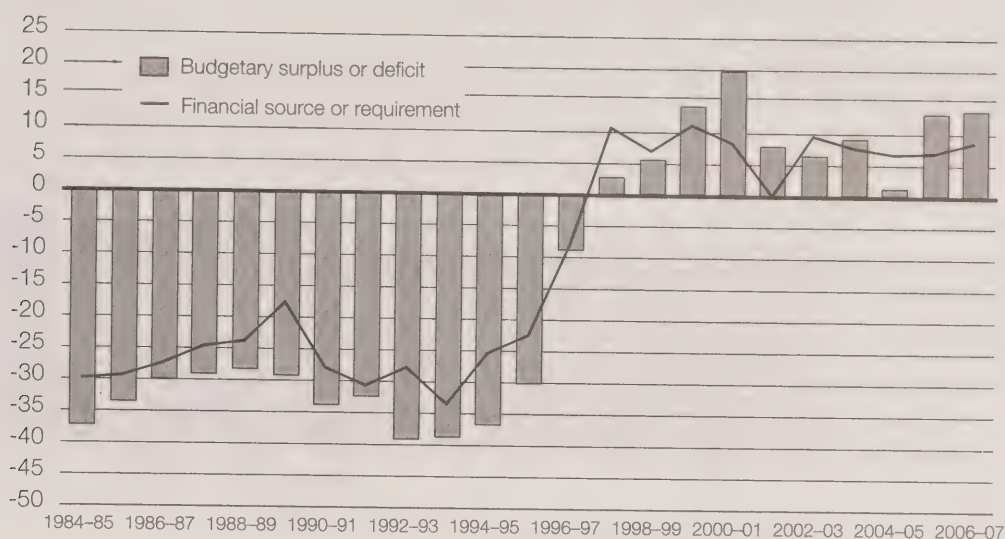
In 2006–07, the budgetary surplus of \$13.8 billion and a net requirement of funds from non-budgetary transactions of \$5.2 billion produced a financial source of \$8.5 billion. This compares to a financial source of \$6.8 billion in 2005–06, \$6.6 billion in 2004–05 and \$7.6 billion in 2003–04 (see Chart 3).



Chart 3

Budgetary Balance and Financial Source/Requirement

\$ billions



Sources: *Public Accounts of Canada* and Statistics Canada.

Capital Market Environment

The share of the domestic debt market occupied by Government of Canada securities has declined since 1996. At December 31, 2006, Government of Canada treasury bills represented 35 per cent of total short-term securities, down from 60 per cent in 1996. This decline in market share was largely offset by the growth of asset-backed commercial paper, whose share increased from 4 per cent to almost 30 per cent over that time period.

While the paydown of Government of Canada debt explains part of this decline in market share, the main reason is the significant overall growth of the fixed-income market. According to the Bank of Canada, outstanding short-term domestic securities have increased from \$226 billion in 1996 to almost \$360 billion in 2006. Similarly, outstanding domestic bonds have increased from \$656 billion in 1996 to \$1,105 billion in 2006 (see Charts 4 and 5).

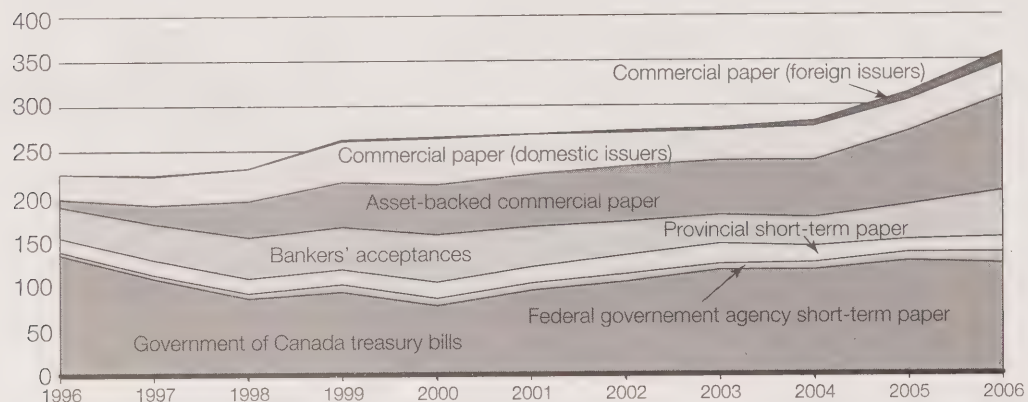
At December 31, 2006, Government of Canada bonds represented 24 per cent of total bonds outstanding, down from almost 50 per cent in 1996. Over that time period, the market share for corporate paper increased from 13 per cent to 24 per cent, and the share for term securitizations increased from 3 per cent to 16 per cent.



Chart 4

**Amount of Domestic Short-Term Securities Outstanding
by Issue Type, at December 31**

\$ billions



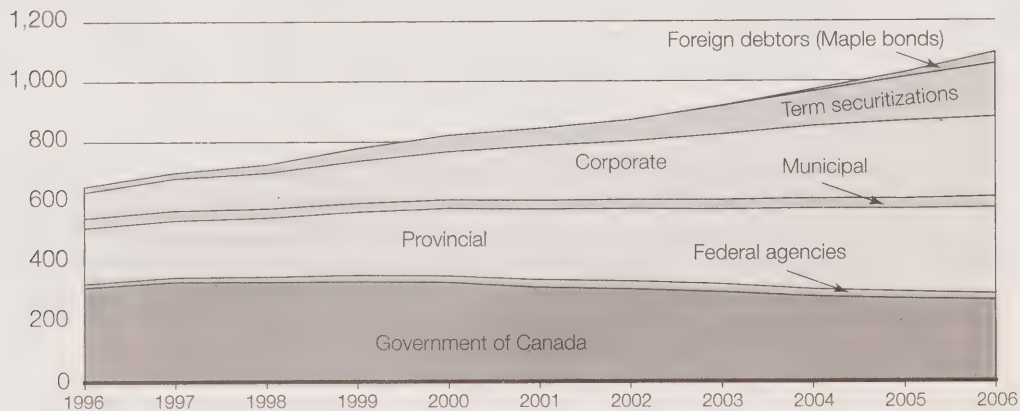
Note: Municipal short-term issuance since 1996 has been negligible.

Source: Bank of Canada, *Banking and Financial Statistics*.

Chart 5

**Amount of Domestic Bonds Outstanding by Issue Type,
at December 31**

\$ billions



Source: Bank of Canada, *Banking and Financial Statistics*.



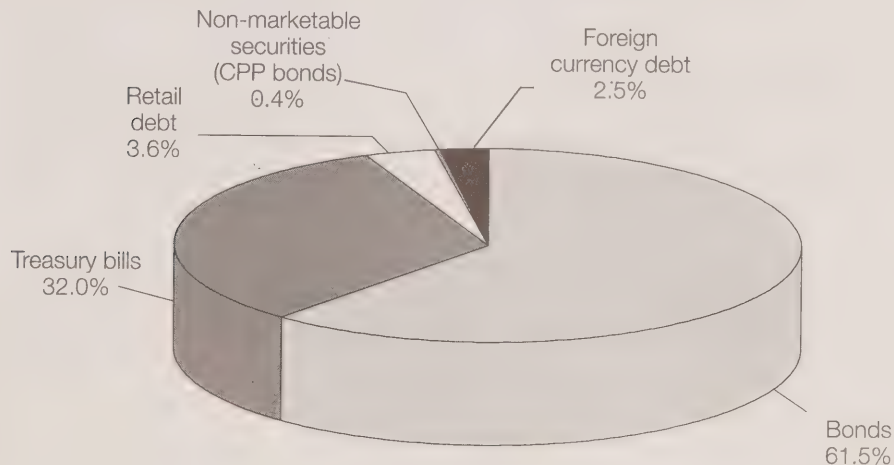
Market Debt

There are two types of market debt: domestic debt, which is denominated in Canadian dollars, and foreign currency debt (see Chart 6).

Funding in Canadian dollars is done through both wholesale and retail channels. Wholesale funding is conducted through issuance of marketable securities, namely nominal bonds, Real Return Bonds and treasury bills, including cash management bills. These securities are sold via auction. Retail funding is raised through sales of Canada Savings Bonds and Canada Premium Bonds to Canadian residents.

Foreign currency debt is used to fund Canada's foreign exchange reserves, which are held in the Exchange Fund Account. At March 31, 2007, foreign currency debt accounted for 2.5 per cent of total market debt, and was composed of Canada bills, notes, bonds and Euro Medium-Term Notes. Foreign reserve assets are also funded by cross-currency swaps of domestic obligations. At March 31, 2007, 7.3 per cent of domestic market debt had been swapped into foreign currencies. In total, including the effect of cross-currency swaps, foreign obligations represented 9.8 per cent of market debt.

Chart 6
Market Debt
As at March 31, 2007.





A detailed description of Government of Canada market debt instruments is available at www.fin.gc.ca/invest/instru-e.html.

Table 2 shows the change in the composition of federal market debt at March 31, 2007, by domestic and foreign currency debt programs. Domestic debt fell by \$4.7 billion while foreign currency debt declined by \$3.7 billion. Further details on the changes in programs and indicators of debt management operations and activities can be found in Part III.

Table 2

Change in Composition of Federal Market Debt, 2006–07

	April 1, 2006 Outstanding	March 31, 2007 Outstanding	Change
		(\$ billions)	
Domestic debt	413.2	408.5	-4.7
Foreign currency debt ¹	14.1	10.4	-3.7
Total market debt	427.3	418.8	-8.5

Note: Numbers may not add due to rounding.

¹ Liabilities are stated at par value using March 31, 2007 closing exchange rates.



Part II: Report on the 2006–2007 Debt Strategy

The 2006–07 *Debt Management Strategy*, published in April 2006, set out an action plan for the management of the debt and cash balances for the 2006–07 fiscal year (for more information, see the 2006–07 *Debt Management Strategy* at www.fin.gc.ca/toce/2006/dms06e.html).

The first part of this section provides information on the total amount of borrowings relative to borrowing authority. The second part describes in more detail actions taken within the borrowing authority framework, organized around two key debt strategy objectives: raising stable, low-cost funding and maintaining a well-functioning government securities market. A summary of the plan and actions taken can be found at the end of this section.

Borrowing Authority

Authority to borrow in financial markets is provided by Part IV of the Financial Administration Act (FAA), which authorizes the Minister of Finance to issue securities and undertake related activities, including entering into financial contracts and derivatives transactions.

Amendments were made to the FAA in 2007, including a requirement for greater transparency and enhanced disclosure regarding the Government's borrowing activities. The purpose of this section is to fulfill this requirement.

Borrowing authority is obtained from the Governor in Council through an Order in Council (OIC). The OIC on borrowing authority for the 2006–07 fiscal year specified that the maximum aggregate principal amount of money that the Minister of Finance was authorized to borrow was \$210 billion.¹ This amount is based on the debt strategy plan outlined in the 2006–07 *Debt Management Strategy*, plus a margin for flexibility as part of prudent debt management.

In 2006–07, the aggregate principal amount of money borrowed was \$174 billion, well below the \$210-billion threshold, because a margin for flexibility is required for ongoing prudent debt management and for the refinancing of maturing debt (see Table 3).

¹ The OIC for 2006–07 can be viewed on the website of the Privy Council Office at www.pco-bcp.gc.ca/oic-ddc/oic-ddc.asp?lang=EN, using reference number 2006-0140.

Table 3
Aggregate Principal Amount of Money Borrowed, 2006–07

	(\$ billions)
Issued in Canadian currency	
Nominal bonds	31.8
Real Return Bonds	1.6
Treasury bills and cash management bills ¹	134.1
Retail debt	1.8
Total issued in Canadian currency	169.3
Issued in foreign currency²	
Foreign currency bonds	0.0
Canada bills ¹	4.7
Canada notes	0.0
Euro Medium-Term Notes	0.0
Total issued in foreign currency	4.7
Total principal borrowed	174.0

¹ Estimated peak of the stock during the year.

² Foreign currency debt issued stated using March 31, 2007 closing exchange rates.

Raising Stable, Low-Cost Funding

Achieving the objective of raising stable low-cost financing involves managing the Government's exposure to changes in interest rates and their impact on borrowing costs (interest rate risk). This section highlights the actions taken to manage interest rate risk.

Debt Structure

The Government's interest-bearing debt is made up of a mix of short- and long-term debt, with a maximum maturity of just under 35 years. There is generally a trade-off between cost and risk in the selection of which tenors to issue. Borrowing costs of longer-term instruments tend to be higher but are fixed for the period of the loan, therefore reducing the risk of having to refinance at higher interest rates. On the other hand, borrowing costs of shorter-term instruments tend to be lower on average but are fixed for shorter periods, therefore increasing the risk of having to refinance the debt at higher interest rates. Under the debt strategy, the balance between fixed-rate (longer-term) and floating-rate (short-term) debt in the market debt structure is managed over time to keep debt-servicing costs stable and low.

The main operational target used to manage the debt structure is the fixed-rate share, which measures the proportion of all government interest-bearing debt that does not mature or need to be repriced within one year relative to the total amount of interest-bearing debt. In the February 2003 budget, the Government announced its intention to reduce the fixed-rate share target from two-thirds to 60 per cent by the end of fiscal 2007–08.



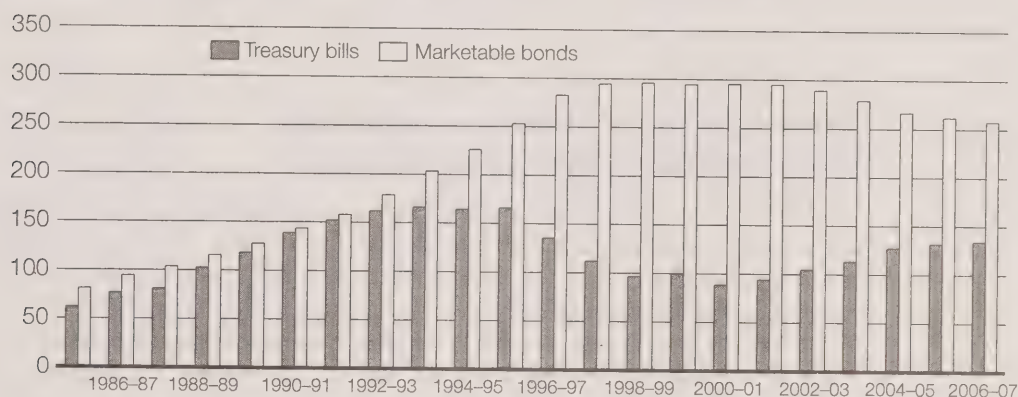
The decision to lower the fixed-rate share took into account the positive economic and fiscal developments in Canada in recent years. Financial simulation modelling indicated that a 60-per-cent fixed-rate share would result in lower borrowing costs, on average, under a large number of potential interest rate scenarios, without compromising debt-cost stability.

The fixed-rate share declined from 62.5 per cent to 61.9 per cent over the 2006–07 fiscal year. The stock of outstanding treasury bills, including cash management bills, which are floating-rate debt, increased from \$131.6 billion to \$134.1 billion in 2006–07, while the stock of outstanding marketable bonds, which are fixed-rate debt, declined from \$261.1 billion to \$257.5 billion (see Chart 7).

Chart 7

Stock of Domestic Treasury Bills and Marketable Bonds

\$ billions



Maturity Profile

A well-distributed maturity profile ensures a controlled exposure to changes in interest rates over time and provides liquidity across different maturity sectors.

In 2006–07, debt issuance plans continued to emphasize the distribution of borrowing across three treasury bill maturities (3, 6 and 12 months) and five bond maturities (2-, 5-, 10- and 30-year nominal bonds and 30-year Real Return Bonds).

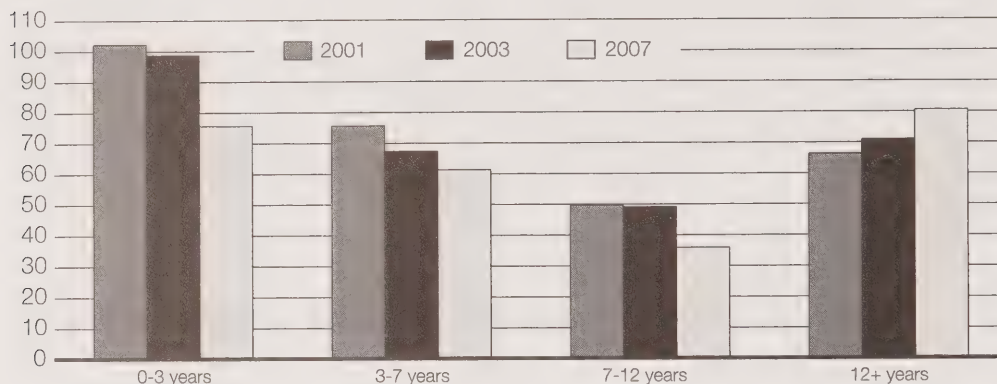
The maturity profile of outstanding Government of Canada bonds has evolved over time and is well distributed across each of the maturity sectors (see Chart 8). The increase in the stock of long-dated bonds is primarily due to a larger supply of Real Return Bonds and an increase in the inflation adjustment.



Chart 8

Maturity Profile of Outstanding Government of Canada Bonds at March 31

\$ billions



Source: Bank of Canada.

Maintaining a Well-Functioning Government Securities Market

A well-functioning wholesale market in Government of Canada securities is important; it benefits the Government as a borrower as well as a wide range of market participants. For the Government as a debt issuer, a well-functioning market attracts investors and contributes to keeping funding costs low and stable over time. For market participants, a liquid and transparent secondary market in government debt provides risk-free assets for investment portfolios, a pricing benchmark for other debt issues and derivatives, and a primary tool for hedging interest rate risk.

In 2006–07, the following actions were taken to promote liquidity in Government of Canada securities:

- **Regular and transparent issuance:** The practice of pre-announcing quarterly bond auction schedules was continued. As in recent years, there were regular auctions for 2-, 5-, 10- and 30-year nominal bonds, as well as for 30-year Real Return Bonds. Regular and pre-announced issuance provided certainty for dealers and investors in terms of planning their investment activities and supported participation and competitive bidding for auctions of securities.
- **Benchmark target sizes:** The 2-, 5-, 10- and 30-year new building-benchmark target sizes were unchanged from the previous year (2-year bonds: \$7 billion to \$10 billion; 5-year bonds: \$9 billion to \$12 billion; 10-year bonds: \$10 billion to \$14 billion; and 30-year bonds: \$12 billion to \$15 billion). All non-fungible benchmarks built in 2006–07 were within their target range. For benchmarks that were fungible with large existing bonds, the benchmark size was deemed attained once the total amount of outstanding bonds for that maturity date exceeded the minimum benchmark size for that maturity sector.
- **Regular bond buyback program:** Against the backdrop of debt paydown in recent years, use of the regular bond buyback program on both a switch and cash basis to repurchase less liquid off-the-run bonds with more than 18 months to maturity has helped maintain gross bond issuance and benchmark bond sizes at higher levels than would have been possible without the buyback program.



2006–2007 Debt Program

The total amount of gross new benchmark bonds issued in 2006–07 was \$33.4 billion, about \$2 billion more than the plan set out in the 2006–07 *Debt Management Strategy*. The volume for bond buyback operations was \$9.8 billion, above the planned range of \$7 billion to \$8 billion. The increase in gross issuance was made possible by the stronger-than-expected bond buyback operations owing to favourable market conditions. The net amount of bonds issued in 2006–07 (gross issuance net of buybacks) was approximately \$23.6 billion, in line with the amount originally planned in the 2006–07 *Debt Management Strategy* (see Table 4).

Table 4
High-Level Overview of Annual Bond Program Operations

	2002–03	2003–04	2004–05	2005–06	2006–07
	(\$ billions)				
Nominal	36.4	33.9	30.8	27.9	27.3
Nominal (switch)	5.9	5.5	4.7	4.5	4.5
Real Return Bonds	1.4	1.4	1.4	1.5	1.6
Total gross issuance	43.7	40.8	36.9	33.9	33.4
Cash buybacks	-7.1	-5.2	-6.8	-5.3	-5.1
Switch buybacks	-5.0	-5.0	-4.7	-3.3	-4.7
Total buybacks	-12.1	-10.2	-11.4	-8.6	-9.8
Net issuance	31.6	30.7	25.5	25.3	23.6

Note: Numbers may not add due to rounding.

Source: Bank of Canada.

The regular bond buyback program is conducted on a cash as well as a switch basis. Buybacks on a cash basis are “reverse auctions,” where off-the-run bonds offered to the Government are exchanged for cash. Buybacks on a switch basis are also “reverse auctions,” but involve the exchange of off-the-run bonds for the current building benchmark.

The cash management bond buyback (CMBB) program, through which a portion of the outstanding bonds maturing in up to 12 months are repurchased prior to their maturity, helps manage cash requirements by reducing the high levels of cash balances needed for key coupon and maturity payment dates (such as June 1, September 1 and December 1). This reduces the market impact of the otherwise high cash levels needed for those dates. The purchase of bonds through the CMBB program in 2005–06 and 2006–07 reduced the amount of bonds maturing in 2006–07 by 35 per cent.

As a result of actions taken to promote liquidity in Government of Canada securities, there are now fewer small, illiquid high coupon bonds and more large and liquid old benchmarks compared to 2000. Since 2000, the number of individual bonds outstanding has been reduced from 71 to 49 at March 31, 2007, while the average size per maturity date has increased from \$5 billion to just over \$6 billion (see Table 5).

Table 5
Impact of Debt Management Activities on Profile of Outstanding Bonds

	Nominal Bonds		Real Return Bonds		Total	
	2000	2007	2000	2007	2000	2007
Total bonds outstanding (\$ billions)	281.3	231.4	13.1	26.5	294.4	257.4
Average size per maturity date (\$ billions)	5.0	6.3	4.0	4.5	5.0	6.1
Number of bonds outstanding	68	44	3	5	71	49
Number of maturity dates	56	36	3	5	59	41
Weighted average coupon rate (%)	7.52	5.32	4.22	3.8	—	—

Sources: Bank of Canada and *Public Accounts of Canada*.

Consolidated Borrowings of Crown Corporations

The Government announced in Budget 2007 that it planned to meet all of the borrowing needs of the Business Development Bank of Canada (BDC), Canada Mortgage and Housing Corporation (CMHC) and Farm Credit Canada (FCC) through direct lending to these Crown corporations, beginning in 2008. This initiative came as a result of an evaluation report submitted by an external evaluator in September 2005, which recommended further review of the potential costs and benefits of consolidation of Crown borrowing activity with the Government's own borrowing program (for more information, see *Review of Borrowing Framework of Major Federal Government-Backed Entities* at www.fin.gc.ca/toce/2005/MFGBE-e.html). This recommendation was adopted and follow-up analysis was undertaken in consultation with the Crown corporations.

The consolidation of Crown borrowing activity will not affect federal debt or total government net debt, since increased federal borrowing will be matched by additional assets in the form of loans to the Crown corporations.

The Government's own debt program will be adjusted to accommodate the additional need for funds. Under the new arrangement, BDC, CMHC and FCC debt issued prior to consolidation, as well as any debt issued by these Crowns in 2007, will remain outstanding in the marketplace. The Minister of Finance will continue to approve all Crown borrowing plans within the context of annual corporate plan approvals. Crown corporations will continue to be responsible for the governance and management of their treasury functions, including decisions about how much to borrow from the Government of Canada.

Amendments to the Financial Administration Act, which recently came into force, provide for greater transparency and accountability regarding the Government's borrowing activities and increased flexibility to meet future borrowing needs, particularly with respect to the consolidation of Crown borrowings.



Improvement to the Code of Conduct for the Domestic Debt Market

The liquidity of the domestic debt market is a function of program design and public confidence in its integrity. The Investment Dealers Association of Canada (IDA) Policy No. 5, *Code of Conduct for IDA Member Firms Trading in Wholesale Domestic Debt Markets*, originally introduced in 1998 and developed jointly with the Bank of Canada and the Department of Finance, is the formal code of conduct for dealing practices in wholesale domestic debt markets.

Ongoing vigilance is required to maintain the integrity of the trading in Canadian fixed-income securities and thereby to encourage liquidity and efficiency, promote public confidence, and support the maintenance of active Government of Canada securities trading and lending.

On June 2, 2006, the IDA, at the request of the Bank of Canada, required primary dealers of Government of Canada securities to provide information on inventory positions for the 10-year Government of Canada benchmark issue. This action was prompted by conditions in the repo market for the 10-year Government of Canada benchmark issue.

A review of the Net Position Reports and information derived from financial markets indicated that there were insufficient grounds to warrant the Bank requesting the IDA to conduct an investigation (to view the announcement, see *Net Position Reports—Formal Recommendation from the Bank of Canada*, available at www.bankofcanada.ca/en/notices_fmd/2006/not070906.html).

Market Consultations

As in past years, market participants were consulted as part of the process of developing the debt strategy. Views were sought on the liquidity and efficiency of the Government of Canada securities market. In addition, market participants' views were requested on certain operational aspects of domestic debt programs.

Overall, the main messages were that the Government of Canada securities market is functioning well and adapting to an environment of declining borrowing needs. Transaction costs were said to have fallen, partly as a result of the growing use of electronic trading systems.

Given the views received, no major adjustments to debt programs or operations were considered necessary in the short run. Market participants noted a need to supplement liquidity in certain sectors, and were supportive of measures to ensure that bond issuance can be maintained over time.

More details on the subjects of discussion and the views expressed during the consultations can be found at www.bankofcanada.ca/en/notices_fmd/index.html.



Program Reviews and Evaluations

Regular assessments of treasury management frameworks and programs are undertaken as part of good governance and management of the debt program.

Review of the Receiver General Cash Management Program

KPMG LLP was engaged in the winter of 2005–06, through the treasury evaluation program, to conduct a review of the Receiver General (RG) cash management program (see the *Report on the Evaluation of the Receiver General Cash Management Program* at www.fin.gc.ca/efa/Report2006_e.html). The review examined the effectiveness of the cash management program in fulfilling the core objectives of ensuring that the Government has sufficient cash available at all times to meet its operating requirements, while maintaining effective low-cost borrowing under an appropriate risk control framework.

The report submitted by KPMG LLP concluded that the RG cash management program is effective in providing sufficient cash balances to meet the Government's needs. It also found that Canada's cash management program compares well against other sovereign cash managers. With respect to the design of the framework, recommendations made to the Government included adjustments which could encourage greater participation in the RG auctions, and suggestions for alternative treasury management tools to enhance cash management effectiveness. The merits of the recommendations are being considered.

Review of the Exchange Fund Account

An external evaluation of the Exchange Fund Account (EFA) was completed during 2006–07, which focused on the EFA portfolio structure, investment guidelines, asset eligibility, performance measurement metrics and reporting (see *Evaluation of the Exchange Fund Account* at www.fin.gc.ca/efa/EFA2006_e.html).

The evaluation process involved a comparison of the EFA's investment framework with the general investment practices of similar large, public sector institutional investors. The evaluation concluded that Canada's policies and practices compare well with the practices of other peer institutions, and that the EFA is being managed prudently, effectively and with due regard to the three key objectives of liquidity, capital preservation and return enhancement.

The recommendations presented in the evaluation centred on expanding asset classes to enhance return, subject to maintaining the focus on the key objectives. Of note, an analysis was conducted to evaluate the benefits of including securitized investments, such as asset-backed commercial paper, but concluded the legal risks associated with these securities, and in particular the structure of their pools, were too high relative to the incremental return earned. For more information on the review, see the *Report on the Management of Canada's Official International Reserves*, available at www.fin.gc.ca/toce/2007/oir07_e.html.



Participation in Government of Canada Operations

Active participation in auction and buyback operations by a diverse group of market participants helps achieve the key objective of raising stable, low-cost funding. Initiatives to enhance the bidding process have been undertaken to broaden participation over the past few years.

Lower turnaround times have enhanced the efficiency of the auction and buyback process and encourage participation by reducing the market risk for participants. In consultations on the development of the debt strategy, market participants have indicated their satisfaction with these changes.

Turnaround times have fallen significantly in recent years, from an average of 45 minutes in 1997–98, to an average of close to 2 minutes for treasury bill and bond auctions and an average of close to 3 minutes for buyback operations in 2006–07 (see Table 6).

Table 6

Average Turnaround Times for the Release of Auction Results

	2004–05	2005–06	2006–07
		(minutes)	
Treasury bill and bond auctions	2:35	2:00	2:08
Buyback operations	6:35	3:18	3:01

Source: Bank of Canada.

The Bank of Canada targets an average turnaround time of less than 3 minutes for auctions and less than 5 minutes for buyback operations. Similarly, maximum turnaround times are 5 minutes for auctions and 10 minutes for buyback operations.

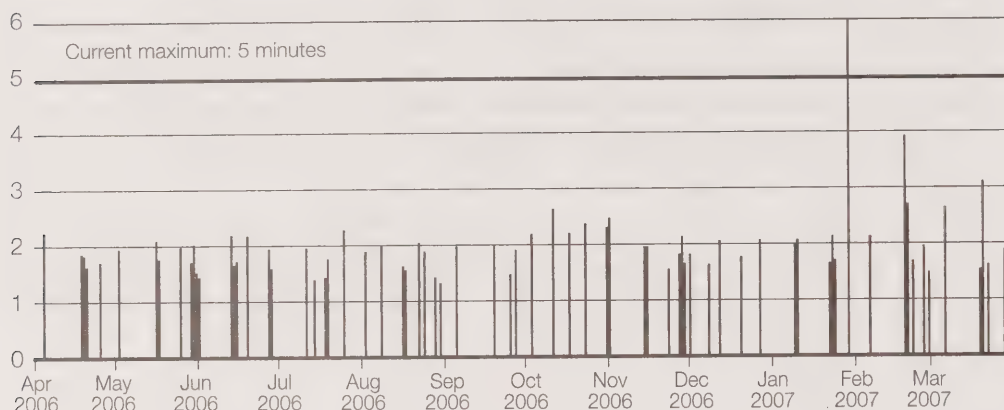
Turnaround times have been on a “best efforts basis” since April 6, 2004 (see Charts 9 and 10). A technical problem was experienced at one cash management bill auction during 2006–07 (see the spike in Chart 9). Although the guideline for maximum turnaround time was exceeded, no market impact was noted.



Chart 9

**Turnaround Times for the Release of the Results
of Treasury Bill and Bond Auctions, 2006–2007**

minutes past bidding deadline



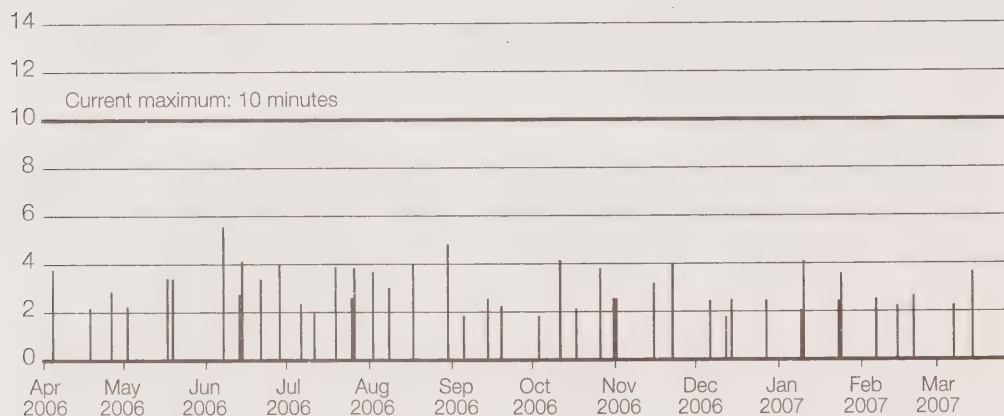
Source: Bank of Canada.

Note: The turnaround time on the cash management bill auction of January 29, 2007 was over 17 minutes.

Chart 10

**Turnaround Times for the Release of the Results
of Buyback Operations, 2006–07**

minutes past bidding deadline



Source: Bank of Canada.



Debt Strategy Plan and Summary of Actions Taken

The following summary reports on the planned initiatives, their purpose and actions taken through 2006–07, as outlined in the *Debt Management Strategy* published in April 2006 (for more information, see the 2006–07 *Debt Management Strategy* at www.fin.gc.ca/toce/2006/dms06e.html).

Debt Structure

Objective: *Gradually reduce the fixed-rate share of the debt from two-thirds to 60 per cent by 2007–08.*

Plan	Intended Result	Actions Taken
Continue to reduce the fixed-rate share of the debt towards the 60-per-cent target.	Achieve lower debt charges, while continuing to prudently mitigate the risk to the budget framework.	The fixed-rate share was reduced from 62.5 per cent to 61.9 per cent over the 2006–07 fiscal year.
Increase the size of the treasury bill program from \$131.6 billion in 2005–06 to approximately \$135 billion to \$140 billion in 2006–07.		The stock of outstanding treasury bills and cash management bills increased by \$2.5 billion from \$131.6 billion to \$134.1 billion, consistent with the move to a lower fixed-rate share of the debt. The stock of bills is just below plan given the size of the debt paydown.
Issue about \$31 billion of bonds in 2006–07, about \$1 billion less than in 2005–06. Due to large bond maturities and continued bond buyback operations, the bond stock is expected to decrease by some \$6 billion.	Facilitate market adjustment to changes in the bond and treasury bill programs.	\$31.8 billion of nominal bonds were issued. The stock of outstanding nominal bonds declined by \$5.6 billion to \$230.9 billion. Real Return Bond issuance for 2006–07 was \$1.6 billion, increasing the stock of outstanding Real Return Bonds to \$26.5 billion.
Reduce the size of the bond buyback program, with a planned level of between \$7 billion and \$8 billion, roughly \$1 billion less than in 2005–06.	Make the transition to sustainable bond programs and preserve liquidity in outstanding issues.	Due to favourable market conditions, a total of \$9.8 billion in outstanding bonds were repurchased through the 2006–07 regular bond buyback program: \$4.7 billion on a switch basis and \$5.1 billion on a cash basis.

**Debt Strategy Plan and Summary of Actions Taken** (*cont'd*)**Debt Structure** (*cont'd*)

Plan	Intended Result	Actions Taken
Maintain a stable maturity profile by continuing to issue in all sectors of the curve and by using the cash management bond buyback (CMBB) program to reduce large maturities.	Limit the need to refinance a large portion of debt in any given period.	<p>Average term to maturity was stable at above 6.5 years. Issuance in all sectors of the curve was as planned.</p> <p>\$8.2 billion of bonds were repurchased through the CMBB program. The 2005–06 and 2006–07 CMBB operations reduced the amount of bond maturities in 2006–07 by 35 per cent on average.</p>

Domestic Debt Programs

Objective: Maintain diversified sources of funding and a well-functioning market.

Plan	Intended Result	Actions Taken
Continue regular issues of nominal bonds in four maturity sectors, treasury bills in three maturity sectors and a long-dated index-linked bond.	Keep costs low and mitigate funding risk by diversifying borrowing across investor segments, instruments and maturities.	Issuance schedule and maturities of past years were maintained in treasury bills, nominal bonds and Real Return Bonds.
Forgo the 2-year bond auction in the fourth quarter of 2006–07.	Facilitate a reduction in gross bond issuance to lower the fixed-rate share of the debt while maintaining liquidity in that sector of the yield curve.	The reduction in gross bond issuance in the 2-year sector was achieved.
Change the dating of the 5-year benchmark maturity to June 1 from September 1 to make the new benchmarks fungible with old 10-year benchmarks, allowing the 5-year auction in the fourth quarter to be eliminated.	Facilitate a reduction in gross bond issuance and maintain adequate liquidity in that sector as well as for other key bond maturities.	The dating of the 5-year benchmark maturity was changed, and a reduction in gross bond issuance in the 5-year sector was achieved.



Debt Strategy Plan and Summary of Actions Taken *(cont'd)*

Domestic Debt Programs *(cont'd)*

Plan	Intended Result	Actions Taken
Maintain current new issuance benchmark target sizes for non-fungible 2-, 5-, 10- and 30-year bonds.	Maintain a liquid market for on-the-run issues and building-benchmark issues.	Benchmark bond target ranges were achieved for non-fungible issues.
Continue to borrow on a pre-announced basis and provide timely notices of government policy decisions.	Maintain transparency and efficiency.	The issuance schedule was announced prior to the start of each quarter and maintained.
For regular buybacks, lower the minimum amount of outstanding benchmark bonds below which buyback operations will not be conducted from \$6 billion to \$5 billion in all maturities.	Increase the amount of bonds eligible for repurchase at buyback operations.	The minimum outstanding amount for buyback operations was reduced to \$5 billion.
Target average turnaround times of less than 3 minutes for auctions and less than 5 minutes for buyback operations. Reduce maximum turnaround times from 10 minutes to 5 minutes for auctions and from 15 minutes to 10 minutes for buyback operations.	Enhance the bidding process and participation while reducing risk for market participants.	In 2006–07, turnaround times on a best efforts basis averaged about 2 minutes for auctions and 3 minutes for buybacks. A technical problem resulted in one cash management bill auction turnaround time exceeding the maximum target time; however, no market impact was noted.



Debt Strategy Plan and Summary of Actions Taken (*cont'd*)

Domestic Debt Programs (*cont'd*)

Plan	Intended Result	Actions Taken
Evaluate the merits of consolidation of some or all of the borrowing by major government-backed entities into government debt programs.	Ensure the borrowing framework used by the Government is effective and efficient.	The Government announced in Budget 2007 that it planned to meet the borrowing needs of three Crown corporations (BDC, CMHC and FCC).
Continue research and consultations with market participants and regulators on the transparency of the market for Government of Canada securities.	Support an appropriate level of transparency in the Government of Canada securities market.	Debt strategy consultations took place in 2006–07. A summary of comments received from interested parties can be found earlier in this document in the section entitled “Market Consultations” as well as on the Bank of Canada website.

Foreign Reserves

Objective: Improve the cost-effectiveness of funding foreign reserve assets.

Plan	Intended Result	Actions Taken
Continue to use cross-currency swaps as the primary source of reserve funding.	Keep the cost of carrying reserve assets low.	Cross-currency swaps remained the principal means of funding the foreign exchange reserves. Fifty-one cross-currency swaps were executed in 2006–07 totalling \$5.8 billion.
Implement a new investment regime and new short-term asset classes.	Improve the risk/return profile of the portfolio.	Investments in new short-term asset classes, including certificates of deposit and highly rated traditional commercial paper, stood at \$0.9 billion at the end of 2006–07.



Part III: Programs and Indicators

Part III is divided into three main sections: indicators of the outcomes of domestic debt program operations, indicators of cash management activity, and indicators of reserves funding. It also provides information on the distribution of holdings of Government of Canada securities.

Outcomes are typically the product of many factors. As a result, the measures may not directly reflect the impact of specific government debt management policies, but serve as useful metrics to help interpret and understand the results and context of debt management initiatives.

Domestic Debt Programs

Measures of outcomes in the area of domestic debt management can be divided into two groups: those associated with the debt issuance process (the primary market) and those dealing with post-issuance trading (the secondary market).

Measures of a well-functioning securities market include the degree to which auctions in the primary market are well bid and the level of liquidity and trading in the secondary market. In 2006–07, treasury bill and bond auctions continued to be covered and well bid. Primary dealers, a core group of government securities distributors that maintain a certain threshold of activity in the market for Government of Canada securities, played the dominant role at auctions, winning more than 94 per cent of bonds offered, except in the case of Real Return Bond auctions, where customers won, on average, 25 per cent of the bonds on offer.

The secondary market for Government of Canada securities continues to experience healthy trading volumes and turnover ratios that compare favourably to previous years and to those of other countries. In 2006–07, primary dealers also played a major role in secondary markets, with the top 10 participants accounting for about 98.5 per cent and 94.2 per cent of the turnover of treasury bills and bonds respectively.

Primary Market

Program Activity

Nominal Bonds

Gross bond program issuance in 2006–07 was \$31.8 billion (including issuance through switch buybacks), about \$0.6 billion lower than the \$32.4 billion issued in 2005–06. Gross issuance consisted of \$10.3 billion in 2-year bonds, \$7.8 billion in 5-year bonds, \$10.4 billion in 10-year bonds and \$3.3 billion in 30-year bonds (see Reference Table VIII for more information on bond auctions). In 2006–07, \$22.1 billion of nominal bonds matured. Taking into account gross issuance, buybacks and maturities, the stock of outstanding nominal bonds declined by \$5.6 billion during the fiscal year to \$230.9 billion at March 31, 2007 (see Table 7).

**Table 7***Change in Composition of Federal Market Debt, 2006–07¹*

	April 1, 2006	Receipts/ Credits	Payments/ Charges	March 31, 2007	Change
	(\$ billions)				
Payable in Canadian currency					
Nominal bonds	236.6	50.2	55.9	230.9	-5.6
Real Return Bonds	24.5	2.0 ¹	0.0	26.5	2.0
Treasury bills and cash management bills ²	131.6	315.0	312.5	134.1	2.5
Retail debt	17.3	1.9	4.0	15.2	-2.2
CPP bonds and notes	3.1	0.0	1.4	1.7	-1.4
Total domestic debt ³	413.2			408.5	-4.7
Payable in foreign currencies⁴					
Foreign currency bonds ⁵	7.4	0.3	1.2	6.4	-0.9
Canada bills	4.7	11.2	14.1	1.8	-2.9
Canada notes	0.5	0.0	0.0	0.5	0.0
Euro Medium-Term Notes	1.5	0.1	0.0	1.6	0.1
Total foreign currency debt	14.1			10.4	-3.7
Total market debt	427.3			418.8	-8.5
Obligations related to capital leases	2.9	0.3	0.1	3.1	0.2
Unamortized discounts and premiums	-6.8	6.9	6.8	-6.7	0.1
Cross-currency swap revaluation	-2.3		-1.2	-1.1	1.2
Total unmatured debt	421.1			414.2	-7.0

Note: Numbers may not add due to rounding.

¹ Includes a Consumer Price Index adjustment of \$390.6 million.² These securities are rolled over, or refinanced, a number of times during the year. This results in a larger number of new issues per year than stock outstanding at the end of the fiscal year.³ Includes a consolidation adjustment for Crown corporations and other entities.⁴ Liabilities are stated at par value at the March 31, 2007 exchange rate. Changes in outstanding amounts for foreign currency bonds, Canada notes and Euro Medium-Term Notes include the exchange rate appreciation/depreciation of the currency of issue versus the Canadian dollar.⁵ Includes \$245.4 million in securities assumed by the Government of Canada on February 5, 2001, on the dissolution of Petro-Canada Limited.*Real Return Bonds (RRBs)*

With RRB issuance in 2006–07 of \$1.6 billion, and a Consumer Price Index adjustment of \$0.3 billion, the level of outstanding RRBs increased from \$24.5 billion to \$26.5 billion at March 31, 2007 (see Reference Table VIII for more information on RRB auctions).



In the spring of 2007, the Department of Finance and the Bank of Canada sought the views of institutional investors, government securities distributors, and other interested parties regarding the RRB auction plan (see *Spring 2007 Consultations—Views Sought on the Auction Plan for Real Return Bonds* at www.bankofcanada.ca/en/notices_fmd/2007/not220307.html).

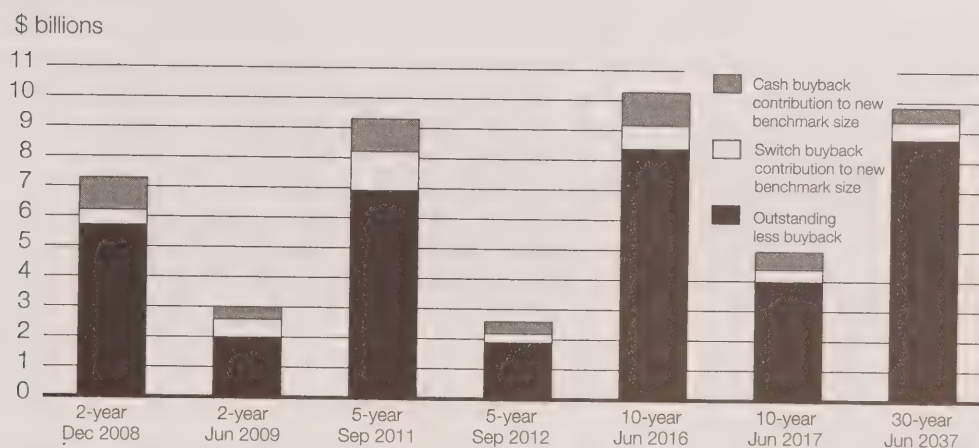
Regular Bond Buyback Program

The objectives of the regular bond buyback program are to enhance liquidity and maintain active new issuance in the primary market for Government of Canada bonds. Regular bond buyback operations totalled \$9.8 billion in 2006–07, consisting of roughly \$2.4 billion in the 2-year sector, \$3.2 billion in the 5-year sector, \$3.1 billion in the 10-year sector and \$1.1 billion in the 30-year sector (see Reference Table XI for more information on buyback operations).

Buybacks on a cash basis totalled \$5.1 billion. Switch buyback operations in 2006–07 resulted in \$4.5 billion of additional bond issuance.

The amount of new bonds issued through buybacks on a switch basis does not necessarily equal the amount of old bonds bought back through those operations because the exchange is not based on par value but rather on a duration-neutral basis. Chart 11 shows the impact of regular bond buybacks on benchmark sizes in 2006–07.

Chart 11
**Impact of Regular Buyback Program
on Benchmark Sizes**
As of March 31, 2007



Source: Bank of Canada.

Treasury Bills and Cash Management Bills (CMBs)

The stock of outstanding treasury bills and CMBs increased by \$2.5 billion during 2006–07 to \$134.1 billion at March 31, 2007, consistent with the orderly move to a lower fixed-rate share of debt. Over the fiscal year, \$315.0 billion in treasury bills and CMBs were auctioned, an increase of \$5.1 billion from the previous year (see Table 8). Throughout the year, \$68.0 billion in CMBs were issued for various short-term maturities. More frequent use of CMBs, as a cost-effective cash management tool, helped smooth fluctuations in cash balances over the year.

Table 8*Treasury Bill and CMB Program Issuance*

	2002–03	2003–04	2004–05	2005–06	2006–07
	(\$ billions)				
CMBs	23.8	28.5	25.0	58.9	68.0
3-month treasury bills	117.4	129.7	137.5	140.2	137.8
6-month treasury bills	47.8	51.9	54.5	55.4	54.6
12-month treasury bills	47.8	51.9	54.5	55.4	54.6
Total treasury bills	213.0	233.5	246.5	251.0	247.0
Total including CMBs	236.8	262.4	271.5	309.9	315.0

Source: Bank of Canada.

Retail Debt

In October 2006, the Government celebrated the 60th anniversary of Canada Savings Bonds (CSBs). As in prior years, the Government sold CSBs and Canada Premium Bonds (CPBs) over a six-month period from October 2006 to April 2007. Sales were made through two channels: payroll deductions and cash purchases made through financial institutions or directly from the Government. The sales were supported by the CSB advertising campaign.

As part of the initiatives in Budget 2006 to achieve savings from programs and activities, in September 2006 the Government announced its intention to consolidate the administration of the retail debt program by winding up its special operating agency, Canada Investment and Savings (CI&S). The closure of CI&S was effective March 31, 2007, and the transfer of responsibilities back to the Bank of Canada and the Department of Finance took effect April 1, 2007. This consolidation is expected to produce future administrative cost savings of some \$5 million per year.

In 2006–07, total expenditures for the retail debt program were \$87.8 million, \$3.2 million below the detailed expenditure plan of \$91 million, and well under the budgetary cap of \$105 million. This represents the seventh consecutive year of expenditure reduction.



The level of outstanding debt held by domestic retail investors—CSBs and CPBs—decreased from \$17.3 billion to \$15.2 billion in 2006–07 (see Chart 12). Gross sales and redemptions were \$1.8 billion and \$4.1 billion, respectively, for a net reduction of \$2.3 billion in the stock of retail debt (see Table 9).

The decline of the retail debt stock is consistent with the trend in overall government debt and an environment of increased competition from private sector retail savings instruments. Further details about the retail debt can be found in Reference Table XII.

Table 9

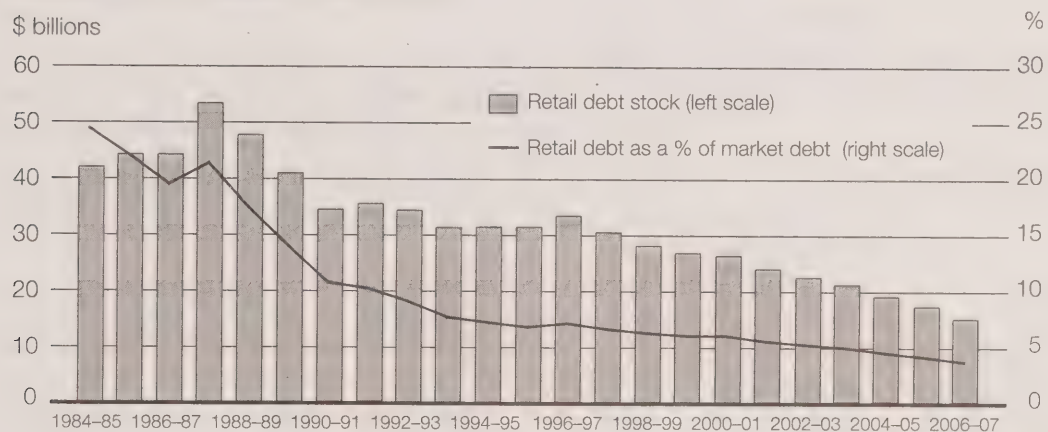
Retail Debt Gross Sales and Redemptions, 2006–07

	Gross Sales	Redemptions	Net Change
		(\$ billions)	
Payroll	1.5	1.4	0.1
Cash	0.3	2.7	-2.4
Total	1.8	4.1	-2.3

Source: Bank of Canada.

Chart 12

Evolution of Retail Debt Stock



Bill and Bond Auction Results Indicators

Acting as the Government's fiscal agent, the Bank of Canada sells Government of Canada marketable bonds and bills via auction to government securities distributors (GSDs) and customers. GSDs that maintain a certain threshold of activity in the primary and secondary market for Government of Canada securities may apply to become primary dealers and form part of the core group of distributors of Government of Canada securities. Information about the rules, terms, schedules and results of Government of Canada securities auctions is available on the Bank of Canada website at www.bankofcanada.ca/en/markets/markets_auct.html.



The two conventional measures of auction performance are the auction coverage and tail. These two measures, combined with the yield of the securities issued, describe the quality of an auction in terms of its competitiveness and its impact on the cost of borrowing.

The auction coverage is defined as the total amount of bids received divided by the auction amount. Higher statistics typically reflect strong demand and therefore should typically result in lower borrowing costs. The auction tail is the number of basis points between the highest yield accepted and the average yield. In this case, a small auction tail is preferable as it usually indicates strong demand and therefore lower borrowing costs.

Under the rules and terms covering government auctions, active dealers (primary dealers) are required to bid for 50 per cent of their auction limit at reasonable prices. Maximum coverage ratios from primary dealers (which represent about 90 per cent of winning bids) could reach about 2.8 for bond auctions and 2.5 for treasury bill and CMB auctions. Minimum coverage ratios, assuming that all primary dealers bid at their minimum bidding obligation, would be about 1.4 for bond auctions and 1.2 for treasury bill and CMB auctions.

In 2006–07, coverage for bond auctions was slightly higher than the 4-year average, while tails for most treasury bill and bond auctions were narrower than the 4-year average, indicating relatively more competitive bidding at auctions (see Table 10).

Table 10
Performance at Auctions

	Coverage (Ratio)					Tail (Basis Points)				
	2003– 2004	2004– 2005	2005– 2006	2006– 2007	4-yr. avg.	2003– 2004	2004– 2005	2005– 2006	2006– 2007	4-yr. avg.
CMBs	1.95	2.43	2.68	2.52	2.47	1.44	1.69	1.22	1.89	1.57
Treasury bills										
3-month	2.15	2.14	2.18	2.21	2.17	0.48	0.47	0.40	0.44	0.45
6-month	2.21	2.11	2.12	2.24	2.17	0.46	0.53	0.56	0.60	0.54
12-month	2.10	1.96	2.05	2.23	2.09	0.69	0.63	0.61	0.51	0.61
Nominal bonds										
2-year	2.47	2.46	2.43	2.62	2.49	0.49	0.32	0.36	0.19	0.35
5-year	2.61	2.49	2.72	2.76	2.64	0.50	0.54	0.22	0.23	0.39
10-year	2.48	2.34	2.58	2.61	2.50	0.51	0.35	0.32	0.26	0.36
30-year	2.62	2.32	2.59	2.65	2.54	0.42	0.67	0.36	0.16	0.41
Real Return Bonds ¹	2.85	2.53	2.69	2.71	2.69	n.a.	n.a.	n.a.	n.a.	n.a.
Weighted average ²	2.21	2.13	2.18	2.27	2.20	0.52	0.51	0.47	0.46	0.49

¹ Auction tails for Real Return Bonds (RRBs) are not relevant since RRBs are distributed through single-price auctions.

² Excludes CMBs.

Source: Bank of Canada.



Participation at Auctions

In 2006–07, primary dealers were allotted over 94 per cent of the auctioned short-term and nominal debt securities, while customers² were allotted between 2 and 5 per cent. The 10 most active participants won over 91 per cent of the auctioned nominal debt securities (see Table 11).

Primary dealers' share of the Real Return Bond (RRB) allotments was close to 75 per cent, with customers receiving close to the remaining 25 per cent of the allotments.

Table 11

Share of Amount Allotted to Participants by Type of Auction, 2006–07

Participant Type	CMBs	Treasury Bills	Nominal Bonds	Real Return Bonds
		(%)		
Primary dealers	98.4	94.4	95.2	74.5
Other GSDs	0.0	0.5	1.3	1.0
Customers	1.6	5.1	3.5	24.5
Top 5 participants	72.4	70.6	65.4	55.2
Top 10 participants	98.4	94.4	91.2	77.6

Note: These numbers exclude securities bought by the Bank of Canada.

Source: Bank of Canada.

RRB auctions have more active customer participation than other types of auctions due to strong investor demand from institutions that hold them to maturity for asset-liability management purposes.

Note that the share of RRBs allotted to customers has declined from the 2005–06 level of 48 per cent to 25 per cent, in favour of primary dealers.

Secondary Market

A continuing challenge for the Government's debt strategy in recent years has been to maintain sufficient issuance of Government of Canada bonds to support a liquid and efficient secondary market.

Trading Volume and Turnover Ratio

The two conventional measures of liquidity and efficiency in the secondary market for Government of Canada securities are trading volume and turnover ratio.

Trading volume shows the amount of securities traded per period. Large trading volume typically allows participants to buy or sell in the marketplace without a substantial change in the price of the securities and in general implies lower bid-offer spreads. Turnover ratio, which is the ratio of securities traded relative to the amount of securities outstanding, is a measure of market depth and efficiency.

² A customer is a bidder on whose behalf a government securities distributor has been directed to submit a competitive or non-competitive bid for a specified amount of securities at a specific price.



High turnover implies that a large amount of securities changes hands over a given period of time, a hallmark of a liquid and efficient securities market.

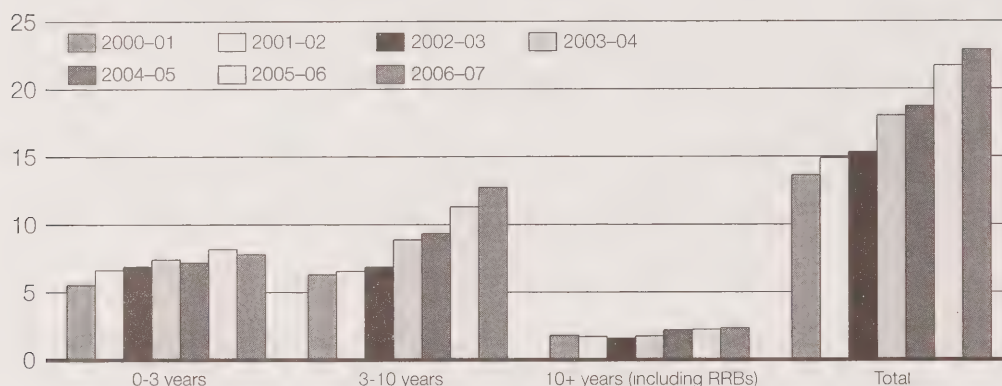
The volume of transactions in the Government of Canada bond market has grown significantly since 1990. Average daily bond trading volume hit a record \$22.7 billion in 2006–07, an increase of 5 per cent from 2005–06 and 68 per cent since 2000–01 (see Chart 13).

With an annual debt stock turnover ratio trending upward to 22.7 in 2006, the Government of Canada bond market compares favourably with other major sovereign bond markets, with the exception of the United States (see Chart 14).

Chart 13

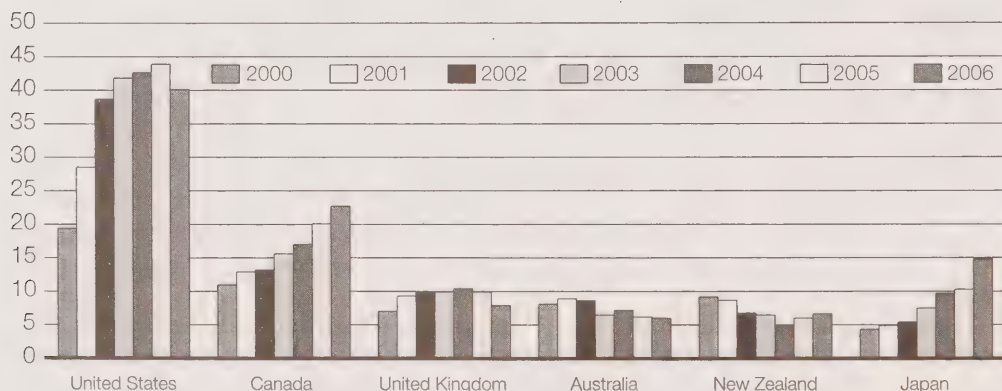
Government of Canada Bond Average Daily Trading Volumes

\$ billions



Source: Bank of Canada.

Chart 14

Sovereign Bond Turnover Ratios

Note: Turnover ratio is total trading volume in each year/average stock.

Sources: The Bureau of the Public Debt of the US, Federal Reserve Bank of New York, Bank of Canada, United Kingdom Debt Management Office, London Stock Exchange, *Australian Financial Markets Report*, Reserve Bank of New Zealand, Japan Ministry of Finance, and Japan Securities Dealer Association.



Repo Markets

A repo, or repurchase agreement, is a transaction in which a party sells a security and simultaneously agrees to repurchase it at a given price at a given time in the future. These transactions provide short-term financing or support to dealer inventories and are equivalent to collateralized loans. They provide a barometer of the debt market's financing activity.

The presence of liquid repo markets for Government of Canada treasury bills and nominal bonds complements and adds efficiency to the domestic fixed-income securities market. The active interest rate futures contract, based on the 10-year Government of Canada bonds, contributes to efficient capital markets by providing additional important trading, pricing and hedging tools.

Both Government of Canada bond repos and treasury bill repos remained very active in 2006–07. The total trading volume for Government of Canada bond repos in 2006–07 was \$26.6 billion, up from \$21.2 billion in 2005–06. The treasury bill repo market volume in 2006–07 was \$2.6 billion compared to \$3.2 billion in 2005–06.

Interest Rate Futures Market

The futures contract based on the 10-year Government of Canada bond basket (or the CGB contract) continues to be actively traded, with trading volume jumping to 7.7 million contracts in calendar year 2006, a 64-per-cent increase from 2005.

The futures contract based on the 2-year Government of Canada bond (or the CGZ contract), originally launched in 2004 and modified in July 2006, had a trading volume of less than 0.1 million contracts in 2006.

Secondary Trading by Market Participants

Secondary market trading of Government of Canada securities is highly concentrated, with primary dealers accounting for over 91 per cent of trading activity.³ The 10 most active participants in the federal securities secondary market represented over 94 per cent of trading activity (see Table 12).

Table 12

Secondary Trading: Share by Type of Participant, 2006–07

Participant Type	Treasury Bills	Bonds
	(%)	
Primary dealers	97.1	91.3
Other GSDs	2.9	8.7
Top 5 participants	82.7	65.8
Top 10 participants	98.5	94.2

Source: Bank of Canada.

³ Primary dealers trade on behalf of their clients as well as for their own accounts.



Cash Management

Receiver General (RG) cash balances, the Government of Canada's Canadian-dollar balances, are invested in a prudent, cost-effective manner through auctions with private sector financial institutions. Since February 1999, when Canada's electronic funds transfer system, the Large Value Transfer System, was implemented, RG cash balances have been allocated to bidders twice daily through an auction process administered by the Bank of Canada. These auctions serve two main purposes: first, as a treasury management tool, they are the means by which the Government invests its short-term Canadian-dollar cash balances; second, the auctions are used by the Bank of Canada in its monetary policy implementation to neutralize the impact of public sector flows on the financial system.

A portion of the morning auction has been offered on a collateralized basis since September 2002, permitting access to a wider group of potential participants, while ensuring that the Government's credit exposure is effectively mitigated.

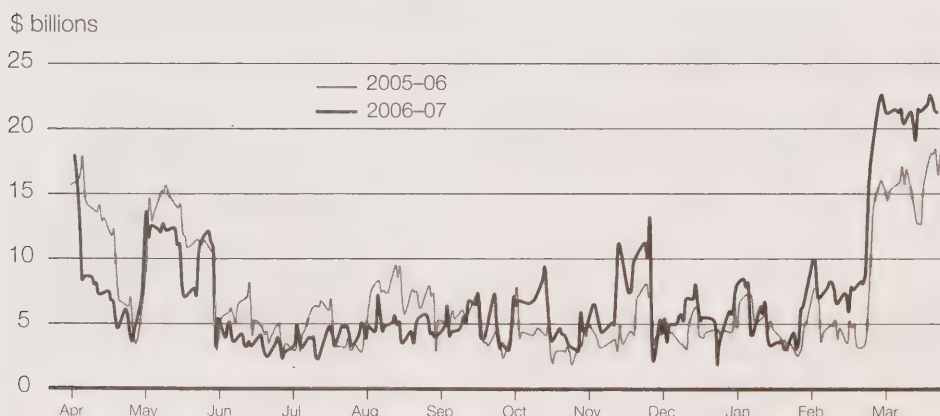
The Government's treasury managers use a number of indicators to monitor the performance of cash management activities, including the average level of cash balances, the coverage and tail at RG auctions, the distribution of participants at RG auctions, the effectiveness of the cash management bond buyback program, the cost of carry and the profile of treasury bill operations.

Total Receiver General Cash Balances

RG cash balances fluctuate widely over the year for a variety of reasons. In 2006–07, they reached a peak of \$22.5 billion and a low of \$1.8 billion (see Chart 15). Cash balances tend to be at their highest during the months of March, April, May and November in anticipation of the large flows related to fiscal year-end and to cover large bond coupon and principal outflows on June 1 and December 1.

Chart 15

Total Receiver General Balances



Source: Bank of Canada.



Average Daily Cash Balances

Average daily cash balances in 2006–07 were \$5.7 billion, a level comparable to 2005–06 (see Table 13). Since 2005–06, more frequent use of cash management bills as a cash management tool has meant that cash balances can be built up quickly prior to redemption and coupon payment dates, and therefore cash balances can be raised closer to the actual payment dates.

Collateral arrangements were introduced in 2002 to mitigate the credit risk tied to the deposit of cash balances with counterparties. Participants with approval for uncollateralized bidding limits maximize their uncollateralized lines prior to using their collateralized lines. Generally, at least 20 per cent of the balances are collateralized; however, in months of high balances, the proportion of collateralized balances can exceed 70 per cent (see Chart 16).

Table 13

Average Daily Receiver General Cash Balances Held at Financial Institutions

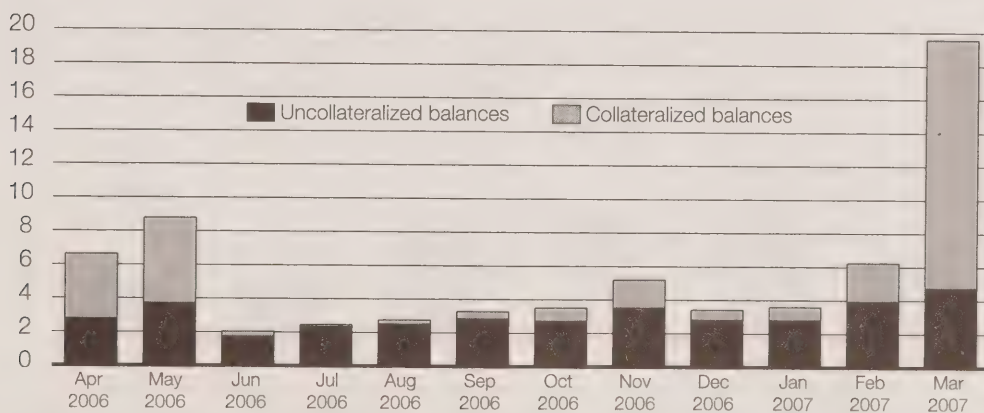
	2003–04	2004–05	2005–06	2006–07
	(\$ billions)			
Average daily cash balances	7.9	8.2	5.6	5.7

Source: Bank of Canada.

Chart 16

Receiver General Auctions of Cash Balances Allocation Between Collateralized and Uncollateralized Tranches (Average of Daily Balances for Each Month)

\$ billions



Source: Bank of Canada.



Coverage and Tails

In 2006–07, coverage for the morning RG auction was lower than in 2005–06 but was above the rolling four-year average (see Table 14). Coverage for the afternoon RG auction also declined from 2.33 to 2.17.

The lower coverage and wider tails for the afternoon auction reflect the reduced number of eligible participants. In addition, many participants have already completed their daily funding requirements by the afternoon auction.

Table 14
Performance at Receiver General Auctions

	2003–04	2004–05	2005–06	2006–07	4-yr. avg.
Morning auctions					
Coverage (ratio)	3.38	4.16	4.18	3.96	3.92
Tail (basis points)	1.68	1.26	1.76	1.39	1.51
Afternoon auctions					
Coverage (ratio)	2.53	2.35	2.33	2.17	2.34
Tail (basis points)	3.09	2.96	3.49	2.79	3.09

Source: Bank of Canada.

Participation

The top 10 participants in the Large Value Transfer System (LVTS) won about 81 per cent of RG auctions on average in 2006–07, while the non-LVTS participants won about 18 per cent of the amount allotted (see Table 15).

Table 15
*Receiver General Auctions Share of Amount Allotted
Between LVTS and Non-LVTS Participants*

Participant Type	2003–04	2004–05	2005–06	2006–07
			(%)	
Top 10 LVTS	76.0	74.3	79.9	81.2
Non-LVTS	23.8	24.3	17.8	17.6

Source: Bank of Canada.

Receiver General Cash Management Evaluation

The Government received a series of recommendations following the review of the Receiver General cash management program (see the *Report on the Evaluation of the Receiver General Cash Management Program* available at www.fin.gc.ca/efa/Report2006_e.html).



Analysis of the recommendations is underway, which included suggestions to encourage greater participation in the RG auctions, the potential benefits of alternative treasury management tools in enhancing the effectiveness of the management of the RG account, and the development and introduction of a 1-month treasury bill to smooth balances and reduce fluctuations in the size of consecutive bill auctions.

Cash Management Bond Buyback Program

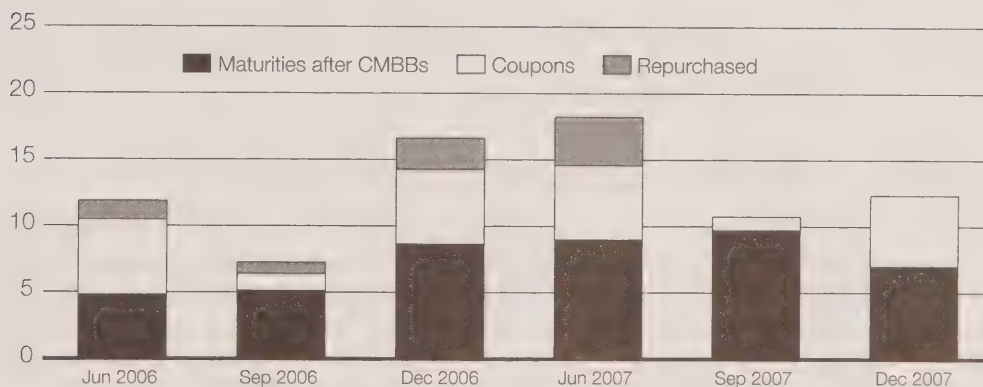
The cash management bond buyback (CMBB) program helps manage cash requirements by reducing the high levels of cash balances needed for key coupon and maturity payment dates. The program also helps smooth variations in treasury bill auction sizes over the year.

In 2006–07, the total amount of bonds repurchased through the CMBB program was \$8.2 billion, compared to \$8.7 billion in 2005–06. The CMBB program in 2005–06 and 2006–07 reduced the size of the 2006 June 1, September 1 and December 1 bond maturities by about 35 per cent, from a total of \$28.4 billion outstanding at the beginning of 2005–06 to \$18.6 billion outstanding after CMBB operations in 2006–07 (see Chart 17). The reduction in the outstanding size of these maturities through the CMBB program is in addition to the \$4.2-billion reduction achieved through the regular bond buyback program. Together, the CMBB and regular buyback operations reduced the total outstanding in the June, September and December 2006 maturities by 42 per cent.

Chart 17

Impact of CMBB Operations on Large Payments at March 31, 2007

\$ billions



Note: June, September and December 2007 maturities continued to be part of the CMBB program in the 2007–08 fiscal year.

Source: Bank of Canada.



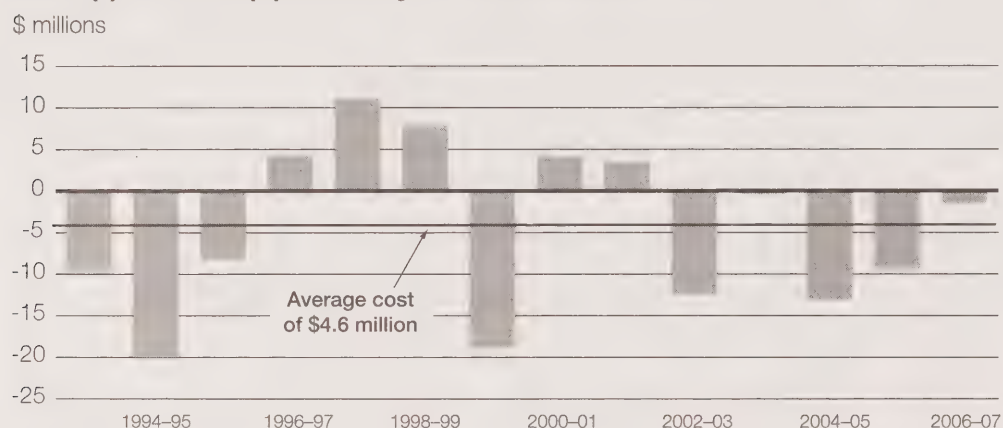
Cost of Carry

A key measure for the cost to the Government of maintaining cash balances is the net return on these cash balances: the difference between the return on government balances auctioned to financial institutions (typically around the overnight rate) and the average yield paid on treasury bills. A normal upward sloping yield curve results in a positive cost of carry, as financial institutions pay rates of interest for government deposits based on an overnight rate that is lower than the rate paid by the Government to borrow funds. Conversely, under an inverted yield curve, short-term deposit rates are higher than the average of 3- to 12-month treasury bill rates, which can result in a net gain for the Government.

The net cost of carrying RG cash balances was \$1.6 million in 2006–07, compared to \$9.4 million in 2005–06 (see Chart 18). This improvement is attributable to favourable market conditions.

Chart 18

Cost (-) or Gain (+) of Carry for Cash Balances



Source: Bank of Canada.

Profile of Treasury Bill Operations

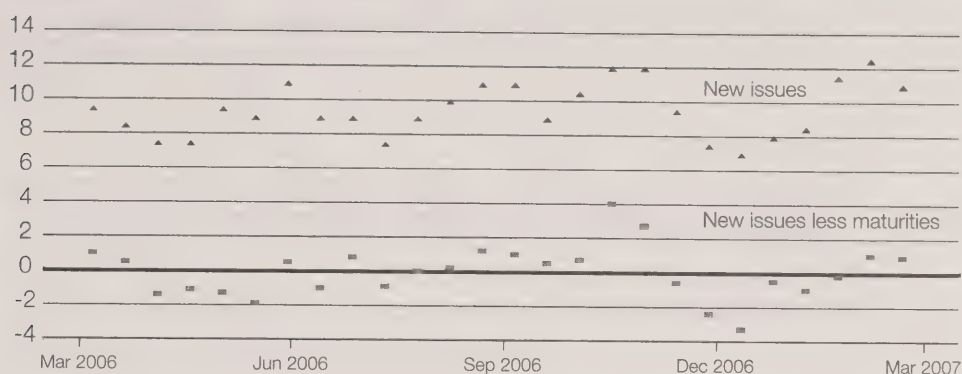
An indicator of cash management activities is the profile of treasury bill operations (amount issued per auction date less amount maturing per auction date). Smooth profiles provide increased certainty of supply for market participants and help reduce the cost associated with large operations. The profile of treasury bill operations continued to be smooth in 2006–07, with net new issuance ranging from -\$3 billion to +\$4 billion per operation, with a standard deviation of \$1.5 billion (see Chart 19 and Table 16).



Chart 19

Gross and Net Issuance at Treasury Bill Auctions

\$ billions



Source: Bank of Canada.

Table 16*Profile of Net Size of Treasury Bill Issues*

	2002-03	2003-04	2004-05	2005-06	2006-07
			(\$ billions)		
Range	-4 to 4	-2 to +6	-2 to +4	-2 to +3	-3 to +4
Standard deviation of new issues less maturities	1.9	2.3	1.2	1.4	1.5

Source: Bank of Canada.

Foreign Currency Debt Programs

Foreign currency debt is used to fund the foreign exchange reserves, which are held in the Exchange Fund Account. A variety of instruments are available to meet foreign currency funding requirements. In 2006-07, the sources of funding for reserves were Canada bills and domestic funds swapped into foreign currency using cross-currency swaps.

The *Report on the Management of Canada's Official International Reserves*, available at www.fin.gc.ca/toce/2007/oir07_e.html, provides information on the objectives, composition and performance of the reserves portfolio.

Canada Bills

In 2006-07, the level of outstanding Canada bills decreased from \$4.7 billion (US\$4.0 billion) to \$1.8 billion (US\$1.6 billion). In 2006-07, Canada bills were issued, on average, at an all-in cost of US\$ LIBOR (London Inter-Bank Offered Rate) less 20 basis points, which was generally in line with the levels achieved in recent years.



Foreign Currency Bonds

In 2006–07, no new foreign currency bonds were issued, while a total of \$1.2 billion (US\$1 billion) matured. The total decline in the stock of outstanding foreign currency bonds, including the exchange rate effect, was \$0.9 billion. The total outstanding was \$6.4 billion (US\$5.6 billion) at the end of 2006–07.

Canada Notes

There were no new Canada note issues or maturities in 2006–07. The total outstanding was \$0.5 billion (US\$0.4 billion) at the end of 2006–07.

Euro Medium-Term Notes

In 2006–07, no new Euro Medium-Term Notes were issued or matured. The total outstanding increased from \$1.5 billion (US\$1.3 billion) to \$1.6 billion (US\$1.4 billion).

Cross-Currency Swaps

In 2006–07, \$5.8 billion (US\$5 billion) was raised to fund the foreign exchange reserves by entering into 51 cross-currency swaps at an average cost of US\$ LIBOR less 41 basis points, which was generally in line with the levels achieved in recent years. A total of \$2.3 billion (US\$2 billion) of swaps matured in 2006–07. At the end of the 2006–07 fiscal year, the outstanding amount of cross-currency swaps totalled \$30.6 billion (see Reference Table X). Taking into account the effect of cross-currency swaps, foreign currency obligations were 9.8 per cent of the Government's total market debt.

A collateral management framework is used to mitigate credit risk exposures to financial institution counterparties associated with cross-currency swap transactions. Under this framework, high quality collateral (e.g. government securities) is pledged by counterparties when the net market value of their contracts with the Government of Canada exceeds specified limits. Over the fiscal year, given the strength of the Canadian dollar, most of the swaps were “in the money,” meaning that the market value of the swaps had increased in favour of the Government.

Holdings of Government of Canada Debt

A diversified investor base ensures there is active demand for Government of Canada securities, thereby helping to keep funding costs low. Diversification of the investor base is pursued by maintaining a domestic wholesale debt program that is attractive to a wide range of investors, and offering a retail debt program that provides savings products to suit the needs of individual Canadians.

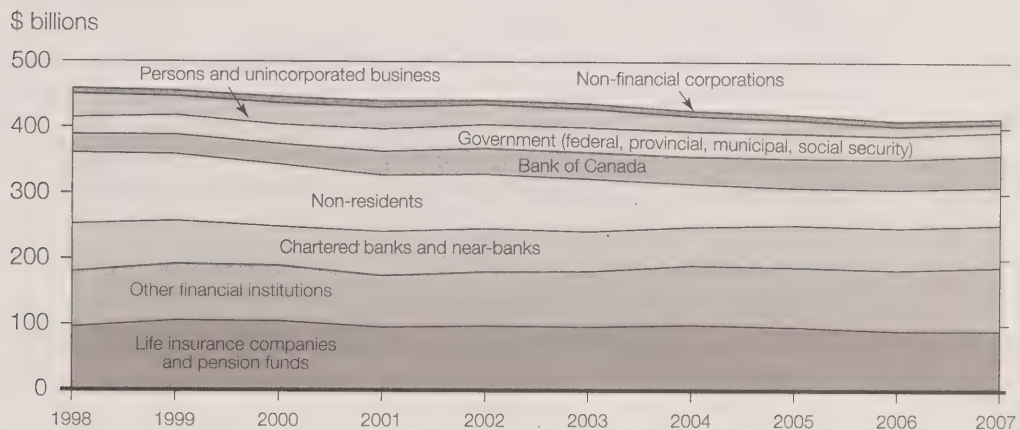


At March 31, 2007, based on Statistics Canada surveys, other financial institutions, which include investment dealers, mutual funds and property and casualty insurance companies, accounted for the largest share of holdings of Government of Canada marketable debt securities (23 per cent). The next largest share was held by life insurance companies and pension funds (22 per cent), followed by chartered banks and near-banks (15 per cent), and non-residents (14 per cent). Taken together, these four sectors held close to 75 per cent of outstanding Government of Canada securities (see Chart 20).

With a decline of 10 per cent, the share of Government of Canada marketable securities held by non-residents shows the most notable change between 1998 and 2007. Additional details on the distribution of Government of Canada marketable debt is available on the Statistics Canada website at www.statcan.ca/english/nea-cen/index.htm.

Chart 20

Distribution of Holdings of Government of Canada Marketable Debt



Note: Figures are as at December 31, except for figures for 2007, which are as at March 31.

Source: Statistics Canada, *National Balance Sheet Accounts*, which is based on data extracted from administrative files and derived from other Statistics Canada surveys.



Annex 1: Completed Treasury Evaluation Reports, 1992–2007

Area	Year
Debt Management Objectives	1992
Debt Structure—Fixed/Floating Mix	1992
Internal Review Process	1992
External Review Process	1992
Benchmarks and Performance Measures	1994
Foreign Currency Borrowing—Canada Bills Program	1994
Developing Well-Functioning Bond and Bill Markets	1994
Liability Portfolio Performance Measurement	1994
Retail Debt Program	1994
Guidelines for Dealing With Auction Difficulties	1995
Foreign Currency Borrowing—Standby Line of Credit and FRN	1995
Treasury Bill Program Design	1995
Real Return Bond Program	1998
Foreign Currency Borrowing Programs	1998
Initiatives to Support a Well-Functioning Wholesale Market	2001
Debt Structure Target/Modelling	2001
Reserves Management Framework	2002
Bond Buybacks	2003
Funds Management Governance Framework ¹	2004
Retail Debt Program ¹	2004
Borrowing Framework of Major Federal Government-Backed Entities ¹	2005
Receiver General Cash Management Program ¹	2006
Exchange Fund Account Evaluation ¹	2006

¹ Available at www.fin.gc.ca.



Annex 2: Glossary

asset-liability management: An investment decision-making framework that is used to concurrently manage a portfolio of assets and liabilities.

benchmark bond: Specific issue which is typically the most liquid bond within each range of maturities. It is considered by the market to be the standard against which all other bonds issued in that term area are evaluated.

budgetary deficit: The shortfall between government annual revenues and annual budgetary expenses.

buyback on a cash basis: The repurchase of bonds for cash. Used to maintain the size of bond auctions and new issuance.

buyback on a switch basis: The exchange of outstanding bonds for new bonds in the current building benchmark.

Canada bill: Promissory note denominated in US dollars, issued for terms of up to 270 days. Canada bills are issued for foreign exchange reserves funding purposes only.

Canada Investment Bond: A non-marketable fixed-term security instrument issued by the Government of Canada.

Canada note: Promissory note usually denominated in US dollars and available in book-entry form. Canada notes can be issued for terms of nine months or longer, and can be issued at a fixed or a floating rate. Canada notes are issued for foreign exchange reserves funding purposes only.

Canada Premium Bond: A non-marketable security instrument issued by the Government of Canada, which is redeemable once a year on the anniversary date or during the 30 days thereafter without penalty.

Canada Savings Bond: A non-marketable security instrument issued by the Government of Canada, which is redeemable on demand by the registered owner(s), and which, after the first three months, pays interest up to the end of the month prior to cashing.

cross-currency swap: An agreement that exchanges one type of obligation for another involving different currencies and the exchange of the principal amounts and interest payments.

electronic trading system: An electronic system that provides real-time information about securities and enables the user to execute financial trades.

Exchange Fund Account (EFA): The objective of the EFA is to aid in the control and protection of the external value of the Canadian dollar. Assets held in the EFA are managed to provide foreign currency liquidity to the Government and to promote orderly conditions for the Canadian dollar in the foreign exchange markets, if required.



financial source/requirement: Measures the difference between the cash inflows and outflows of the Government's Receiver General account. In the case of a financial requirement, it is the amount of new borrowing required from outside lenders to meet financing needs in any given year.

foreign exchange reserves: The foreign currency assets (e.g. interest-earning bonds) held to support the value of the domestic currency. Canada's foreign exchange reserves are held in the Exchange Fund Account.

Government of Canada securities auction: A process used for selling Government of Canada debt securities (mostly marketable bonds and treasury bills) in which issues are sold by public tender to government securities distributors and approved clients.

government securities distributor (GSD): An entity (i.e. an investment dealer or bank) that is authorized to bid at Government of Canada auctions and through which the Government distributes Government of Canada treasury bills and marketable bonds.

interest-bearing debt: Consists of unmatured debt, or market debt, and liabilities to internally held accounts such as federal employees' pension plans.

Large Value Transfer System (LVTS): An electronic funds transfer system introduced in February 1999 and operated by the Canadian Payments Association. It facilitates the electronic transfer of Canadian-dollar payments across the country virtually instantaneously.

marketable bond: An interest-bearing certificate of indebtedness issued by the Government of Canada, and having the following characteristics: bought and sold on the open market; payable in Canadian or foreign currency; having a fixed date of maturity; interest payable either in coupon or registered form; face value guaranteed at maturity.

marketable debt: Market debt that is issued by the Government of Canada and sold via public tender or syndication. These issues can be traded between investors while outstanding.

money market: The market in which short-term capital is raised, invested and traded using financial instruments such as treasury bills, bankers' acceptances, commercial paper, and bonds maturing in one year or less.

non-market debt: Consists of the Government's internal debt, which is, for the most part, federal public sector pension liabilities and the Government's current liabilities (such as accounts payable, accrued liabilities, interest payments and payments of matured debt).

overnight rate; overnight financing rate; overnight money market rate; overnight lending rate: An interest rate at which participants with a temporary surplus or shortage of funds are able to lend or borrow until the next business day. It is the shortest term to maturity in the money market.



primary dealer (PD): Member of the core group of government securities distributors that maintains a certain threshold of activity in the market for Government of Canada securities. The primary dealer classification can be attained in either treasury bills or marketable bonds, or both.

primary market: The market in which issues of securities are first offered to the public.

Real Return Bond (RRB): Government of Canada RRBs pay semi-annual interest based upon a real interest rate. Unlike standard fixed-coupon marketable bonds, interest payments on RRBs are adjusted for changes in the Consumer Price Index.

secondary market: A market where existing securities trade after they have been sold to the public in the primary market.

sovereign market: Market for the debt issued by a government.

treasury bill: Short-term obligation sold by public tender. Treasury bills, with terms to maturity of 3, 6 or 12 months, are currently auctioned on a bi-weekly basis.

yield curve: The conceptual or graphic representation of the term structure of interest rates. A “normal” yield curve is upward sloping, with short-term rates lower than long-term rates. An “inverted” yield curve is downward sloping, with short-term rates higher than long-term rates. A “flat” yield curve occurs when short-term rates are the same as long-term rates.



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Reference Table I
Gross Public Debt, Outstanding Market Debt and Debt Charges

Fiscal year	Accounts payable and accrued liabilities					(\$ billions)					Fixed-rate portion of interest-bearing debt ⁽¹⁾	
	Market debt	Market debt value adjustment		accrued liabilities	Pension and other liabilities	Gross debt	Financial assets	Net debt	Non-financial assets	Accumulated deficit		Gross public debt charges
	+	+	+	+	=					=		(%)
1986-87	228.6	-0.4		42.1	84.7	355.0	73.2	281.8	24.2	257.7	28.7	50.9
1987-88	250.8	-0.9		47.2	90.9	388.0	75.0	313.0	26.3	286.7	31.2	51.2
1988-89	276.3	-2.2		50.2	97.1	421.4	77.9	343.6	29.0	314.6	35.5	49.6
1989-90	294.6	-2.9		53.2	104.5	449.3	74.5	374.8	31.0	343.8	41.2	49.9
1990-91	323.9	-3.2		54.9	112.1	487.7	76.6	411.1	33.4	377.7	45.0	50.4
1991-92	351.9	-2.2		56.1	118.5	524.2	78.5	445.7	35.8	410.0	43.9	50.7
1992-93	382.7	-3.0		58.4	125.1	563.2	76.0	487.2	38.2	449.0	41.3	50.4
1993-94	414.0	-1.8		63.7	131.4	607.3	79.3	527.9	40.4	487.5	40.1	53.3
1994-95	441.0	-3.4		71.3	139.8	648.7	81.2	567.5	43.3	524.2	44.2	55.1
1995-96	469.5	-1.7		74.9	148.5	691.3	92.7	598.6	44.4	554.2	49.4	56.9
1996-97	476.9	0.3		75.9	156.3	709.4	100.4	609.0	46.1	562.9	47.3	61.7
1997-98	466.8	1.4		81.7	160.9	710.8	103.6	607.2	47.2	559.9	43.1	63.7
1998-99	457.7	2.6		83.7	168.2	712.2	109.3	602.9	48.7	554.1	43.3	64.5
1999-00	454.2	-0.2		83.9	175.8	713.6	123.5	590.1	50.2	539.9	43.4	66.5
2000-01	444.9	1.3		88.5	179.0	713.6	141.9	571.7	51.7	520.0	43.9	67.8
2001-02	440.9	0.9		83.2	177.9	703.0	137.7	565.3	53.4	511.9	39.7	67.4
2002-03	438.6	-1.1		83.2	178.3	699.0	139.5	559.6	54.2	505.3	37.3	65.8
2003-04	436.5	-2.5		85.2	180.9	700.1	149.1	551.0	54.8	496.2	35.8	63.8
2004-05	431.8	-4.3		97.7	179.8	705.0	155.4	549.6	54.9	494.7	34.1	63.1
2005-06	427.3	-6.1		101.4	179.9	702.5	165.6	536.9	55.4	481.5	33.7	62.5
2006-07	418.8	-4.7		106.5	185.1	705.8	181.9	523.9	56.6	467.3	33.9	61.9

¹ Calculation methodology may vary slightly from year to year. The definition of interest-bearing debt changed slightly in 2002–03 to reflect the adoption of the full accrual basis of accounting.

Reference Table II

Government of Canada Outstanding Market Debt

Fiscal year	Payable in Canadian dollars					Payable in foreign currencies					Less: Government's own holdings	Total market debt	Average interest rate (%)	
	Treasury bills	Marketable bonds	Retail debt	CPP bonds	Total	Canada bills	Marketable bonds (\$ billions)	Canada notes	Euro Medium-Term Notes	Term loans				Total
1986-87	77.0	94.4	44.3	1.8	217.5	1.0	8.9	0.0	0.0	2.0	12.0	-0.9	228.6	9.3
1987-88	81.1	103.9	53.3	2.5	240.8	1.0	7.9	0.0	0.0	2.3	11.2	-1.2	250.8	9.6
1988-89	102.7	115.7	47.8	3.0	269.2	1.1	6.3	0.0	0.0	0.9	8.3	-1.2	276.3	10.8
1989-90	118.6	127.7	40.9	3.1	290.2	1.4	4.3	0.0	0.0	0.0	5.7	-1.3	294.6	11.2
1990-91	139.2	143.6	34.4	3.5	320.7	1.0	3.6	0.0	0.0	0.0	4.6	-1.3	323.9	10.7
1991-92	152.3	158.1	35.6	3.5	349.5	0.0	3.4	0.0	0.0	0.0	3.4	-1.0	351.9	8.9
1992-93	162.1	178.5	34.4	3.5	378.4	2.6	2.8	0.0	0.0	0.0	5.4	-1.1	382.7	7.9
1993-94	166.0	203.4	31.3	3.5	404.3	5.6	5.0	0.0	0.0	0.0	10.7	-1.0	414.0	6.8
1994-95	164.5	225.7	31.4	3.5	425.1	9.0	7.9	0.0	0.0	0.0	16.9	-1.0	441.0	8.0
1995-96	166.1	252.8	31.4	3.5	453.8	7.0	9.5	0.3	0.0	0.0	16.8	-1.0	469.5	7.3
1996-97	135.4	282.6	33.5	3.5	454.9	8.4	12.5	2.1	0.0	0.0	23.0	-1.1	476.8	6.7
1997-98	112.3	294.6	30.5	3.5	440.8	9.4	14.6	1.7	1.5	0.0	27.1	-1.2	466.8	6.6
1998-99	97.0	295.8	28.2	4.1	425.0	10.2	19.7	1.3	4.9	0.0	36.0	-3.3	457.7	6.7
1999-00	99.9	294.4	26.9	3.6	424.7	6.0	21.4	1.1	4.1	0.0	32.6	-3.1	454.2	6.2
2000-01	88.7	295.5	26.4	3.5	414.1	7.2	21.2	1.6	3.7	0.0	33.7	-2.9	444.9	6.1
2001-02	94.2	294.9	24.0	3.4	416.5	3.4	19.8	1.2	3.2	0.0	27.6	-3.1	440.9	5.6
2002-03	104.6	289.2	22.6	3.4	419.8	2.6	14.5	1.2	3.3	0.0	21.6	-2.7	438.6	5.3
2003-04	113.4	279.0	21.3	3.4	417.1	3.4	13.2	1.3	3.0	0.0	20.9	-1.5	436.5	4.9
2004-05	127.2	266.7	19.1	3.4	416.3	3.9	9.9	1.1	1.7	0.0	16.6	-1.1	431.8	4.6
2005-06	131.6	261.9	17.3	3.1	413.9	4.7	7.6	0.5	1.5	0.0	14.3	-1.0	427.3	4.7
2006-07	134.1	257.9	15.2	1.7	408.9	1.8	6.7	0.5	1.6	0.0	10.6	-0.7	418.8	4.9

Source: Public Accounts of Canada.



Reference Table III
Average Weekly Domestic Market Trading in Government of Canada Securities, April 2006 to March 2007

	Treasury bills	Marketable bonds				Total marketable bonds	Total
		3 years and under	3 to 10 years	Over 10 years (\$ millions)	Real Return Bonds		
April 2006	21,358	38,635	68,967	12,299	308	120,209	141,567
May 2006	20,126	42,028	83,001	14,461	446	139,936	160,062
June 2006	24,524	45,727	84,647	10,485	365	141,224	165,748
July 2006	20,519	35,305	51,550	8,691	364	95,910	116,429
August 2006	19,022	30,258	56,873	5,809	326	93,266	112,288
September 2006	21,154	44,194	52,516	9,234	624	106,568	127,722
October 2006	21,969	36,020	51,069	9,703	409	97,201	119,170
November 2006	22,055	34,362	48,349	9,240	710	92,661	114,716
December 2006	25,228	35,731	60,333	11,453	523	108,040	133,268
January 2007	17,638	34,064	52,883	12,265	683	99,895	117,533
February 2007	21,523	34,421	57,695	14,385	634	107,135	128,658
March 2007	24,044	41,723	68,768	11,859	731	123,081	147,125

Source: Bank of Canada.

Reference Table IV Fiscal 2006-07 Treasury Bill Program

Settlement date	Maturing				New issues				Net increment			Average tender yields					
	CMB ¹	3 mo	6 mo	12 mo	Total	CMB ¹	3 mo	6 mo	12 mo	Total	Total	Cumulative	O/S ²	CMB ¹	3 mo	6 mo	12 mo
(\$ millions)																	
April 3, 2006	2,700				2,700					0	-2,700	-2,700	128,900				
April 4, 2006	3,000				3,000					0	-3,000	-5,700	125,900				
April 5, 2006	3,900				3,900					0	-3,900	-9,600	122,000				
April 6, 2006	5,000	4,700	3,700		13,400		5,300	2,100	2,100	9,500	-3,900	-13,500	118,100		3.90	4.00	4.10
April 20, 2006		4,100		3,800	7,900	1,400	4,700	1,900	1,900	9,900	2,000	-11,500	120,100	3.80	3.97	4.08	4.18
April 26, 2006					0	1,000				1,000	1,000	-10,500	121,100	3.88			
May 1, 2006	1,000				1,000					0	-1,000	-11,500	120,100				
May 2, 2006	1,400				1,400					0	-1,400	-12,900	118,700				
May 4, 2006		4,100	4,700		8,800		4,100	1,700	1,700	7,500	-1,300	-14,200	117,400				
May 18, 2006		4,100		4,400	8,500	1,500	4,100	1,700	1,700	9,000	500	-13,700	117,900	4.01	4.10	4.16	4.26
May 25, 2006					0	3,000				3,000	3,000	-10,700	120,900	4.17	4.10	4.14	4.24
May 29, 2006					0		3,000			3,000	3,000	-7,700	123,900	4.20			
June 1, 2006		5,900	4,800		10,700	1,000	5,300	2,100	2,100	10,500	-200	-7,900	123,700	4.24	4.17	4.20	4.28
June 5, 2006	4,000				4,000					0	-4,000	-11,900	119,700				
June 13, 2006	1,500				1,500					0	-1,500	-13,400	118,200				
June 15, 2006		6,500	4,300		10,800	2,500	5,000	2,000	2,000	11,500	700	-12,700	118,900	4.12	4.21	4.31	4.41
June 16, 2006	3,000				3,000					0	-3,000	-15,700	115,900				
June 20, 2006					0	3,000				3,000	3,000	-12,700	118,900	4.21			
June 28, 2006					0	2,500				2,500	2,500	-10,200	121,400	4.25			
June 29, 2006		6,800	3,600		10,400		6,200	2,400	2,400	11,000	600	-9,600	122,000		4.30	4.44	4.55
July 4, 2006	3,000				3,000					0	-3,000	-12,600	119,000				
July 6, 2006	2,500				2,500					0	-2,500	-15,100	116,500				
July 7, 2006	2,500				2,500					0	-2,500	-17,600	114,000				
July 13, 2006		5,300	4,600		9,900		5,000	2,000	2,000	9,000	-900	-18,500	113,100		4.21	4.30	4.38
July 17, 2006					0	2,200				2,200	2,200	-16,300	115,300	4.09			
July 19, 2006					0	2,500				2,500	2,500	-13,800	117,800	4.22			
July 27, 2006		4,700	3,400		8,100	1,800	5,000	2,000	2,000	10,800	2,700	-11,100	120,500	4.24	4.16	4.24	4.34
Aug. 1, 2006	2,200				2,200					0	-2,200	-13,300	118,300				
Aug. 2, 2006	1,800				1,800					0	-1,800	-15,100	116,500				
Aug. 3, 2006	2,500				2,500					0	-2,500	-17,600	114,000				
Aug. 10, 2006		4,100	4,200		8,300		4,100	1,700	1,700	7,500	-800	-18,400	113,200		4.16	4.24	4.32
Aug. 18, 2006					0	1,000				1,000	1,000	-17,400	114,200	4.14			
Aug. 24, 2006		4,100	4,800		8,900	2,500	4,400	1,800	1,800	10,500	1,600	-15,800	115,800	4.14	4.13	4.20	4.27
Aug. 29, 2006					0	2,000				2,000	2,000	-13,800	117,800	4.16			
Sept. 5, 2006	1,000				1,000					0	-1,000	-14,800	116,800				
Sept. 7, 2006	2,500	5,300	4,300		12,100		5,600	2,200	2,200	10,000	-2,100	-16,900	114,700		4.14	4.18	4.19
Sept. 21, 2006		5,000	4,700		9,700		6,200	2,400	2,400	11,000	1,300	-15,600	116,000		4.17	4.16	4.17
Sept. 25, 2006					0	2,500				2,500	2,500	-13,100	118,500	4.20			



Reference Table IV (cont'd)
Fiscal 2006–07 Treasury Bill Program

Settlement date	Maturing			New issues				Net increment			Average tender yields						
	CMB ¹	3 mo	6 mo	12 mo	Total	CMB ¹	3 mo	6 mo	12 mo	Total	Cumulative	O/S ²	CMB ¹	3 mo	6 mo	12 mo	
														(%)			
Sept. 27, 2006																	
Oct. 2, 2006	2,500				2,500	2,500				2,500	2,500	-10,600	121,000	4.22			
Oct. 5, 2006	2,000	6,200		3,700	11,900		6,200	2,400	2,400	0	-2,500	-13,100	118,500		4.16	4.14	4.11
Oct. 19, 2006	2,500	5,000	3,600		11,100		5,000	2,000	2,000	9,000	-2,100	-16,100	115,500		4.16	4.18	4.17
Oct. 23, 2006					0	1,700				1,700	1,700	-14,400	117,200	4.18			
Oct. 27, 2006					0	2,500				2,500	2,500	-11,900	119,700	4.19			
Nov. 2, 2006	2,500	5,000	4,700		12,200	2,500	5,900	2,300	2,300	10,500	-1,700	-13,600	118,000	4.17	4.18	4.17	
Nov. 3, 2006	1,700				1,700					0	-1,700	-15,300	116,300				
Nov. 16, 2006		4,100	3,800		7,900		6,800	2,600	2,600	12,000	4,100	-11,200	120,400		4.18	4.18	4.14
Nov. 23, 2006					0	2,500				2,500	2,500	-8,700	122,900	4.20			
Nov. 28, 2006					0	2,200				2,200	2,200	-6,500	125,100	4.25			
Nov. 30, 2006		4,400	4,800		9,200		6,800	2,600	2,600	12,000	2,800	-3,700	127,900	4.18	4.17	4.10	
Dec. 1, 2006					0	500				500	500	-3,200	128,400	4.23			
Dec. 4, 2006	500				500					0	-500	-3,700	127,900				
Dec. 5, 2006	2,500				2,500					0	-2,500	-6,200	125,400				
Dec. 7, 2006	2,200				2,200					0	-2,200	-8,400	123,200				
Dec. 8, 2006					0	1,500				1,500	1,500	-6,900	124,700	4.22			
Dec. 14, 2006		5,600	4,400		10,000		5,300	2,100	2,100	9,500	-500	-7,400	124,200		4.18	4.18	4.11
Dec. 20, 2006					0	2,800				2,800	2,800	-4,600	127,000	4.22			
Dec. 28, 2006		6,200	3,600		9,800		4,100	1,700	1,700	7,500	-2,300	-6,900	124,700		4.16	4.17	4.15
Jan. 3, 2007	2,800				2,800					0	-2,800	-9,700	121,900				
Jan. 4, 2007	1,500				1,500					0	-1,500	-11,200	120,400				
Jan. 11, 2007		6,200	4,000		10,200		3,800	1,600	1,600	7,000	-3,200	-14,400	117,200		4.17	4.18	4.18
Jan. 22, 2007					0	1,000				1,000	1,000	-13,400	118,200	4.22			
Jan. 25, 2007		5,000	3,400		8,400		4,400	1,800	1,800	8,000	-400	-13,800	117,800		4.16	4.18	4.19
Jan. 29, 2007					0	1,200				1,200	1,200	-12,600	119,000	4.22			
Feb. 1, 2007	1,200				1,200					0	-1,200	-13,800	117,800				
Feb. 2, 2007	1,000				1,000					0	-1,000	-14,800	116,800				
Feb. 8, 2007		5,900	3,500		9,400		4,700	1,900	1,900	8,500	-900	-15,700	115,900		4.17	4.20	4.23
Feb. 20, 2007					0	2,800				2,800	2,800	-12,900	118,700	4.21			
Feb. 22, 2007		6,800	4,800		11,600		6,500	2,500	2,500	14,300	2,700	-10,200	121,400	4.24	4.18	4.21	4.23
Feb. 26, 2007					0	2,600				2,600	2,600	-7,600	124,000	4.24			
March 8, 2007		6,800	4,600		11,400		7,100	2,700	2,700	12,500	1,100	-6,500	125,100		4.19	4.18	4.13
March 20, 2007					0	2,000				2,000	2,000	-4,500	127,100	4.19			
March 22, 2007		5,300	4,700		10,000		6,200	2,400	2,400	13,000	3,000	-1,500	130,100	4.22	4.17	4.19	4.17
March 28, 2007					0	2,600				2,600	2,600	1,100	132,700	4.25			
March 30, 2007					0	1,400				1,400	1,400	2,500	134,100	4.27			
total	66,400	137,200	53,600	55,300	312,500	68,000	137,800	54,600	54,600	315,000	2,500						

¹ Cash management bill.

² Outstanding.

Source: Bank of Canada.

Reference Table V

Fiscal 2006-07 Treasury Bill Auction Results

Auction date	Term (months)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Bid coverage	Tail (basis points)	Auction date	Term (months)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Bid coverage	Tail (basis points)
April 4, 2006	12	2,100	96.215	4.103	2.297	0.4	July 11, 2006	3	5,000	98.883	4.208	2.336	0.9
April 4, 2006	3	5,300	98.965	3.896	2.630	0.3	July 11, 2006	6	2,000	97.902	4.297	2.353	0.4
April 4, 2006	6	2,100	98.193	3.999	2.695	0.3	July 14, 2006	NF	2,200	99.832	4.088	2.904	5.2
April 18, 2006	12	1,900	95.995	4.184	2.647	0.2	July 18, 2006	NF	2,500	99.827	4.216	2.705	1.4
April 18, 2006	3	4,700	98.944	3.974	2.401	0.4	July 25, 2006	12	2,000	96.006	4.339	2.139	0.5
April 18, 2006	6	1,900	98.006	4.080	2.567	0.4	July 25, 2006	3	5,000	98.896	4.157	2.165	0.7
April 20, 2006	NF ¹	1,400	99.875	3.796	3.248	1.1	July 25, 2006	6	2,000	98.084	4.244	2.056	0.7
April 25, 2006	NF	1,000	99.947	3.880	3.863	3.0	July 27, 2006	NF	1,800	99.930	4.245	2.563	0.8
May 2, 2006	12	1,700	96.077	4.258	2.441	0.7	Aug. 8, 2006	12	1,700	95.874	4.315	2.219	0.9
May 2, 2006	3	4,100	98.910	4.105	2.572	0.2	Aug. 8, 2006	3	4,100	98.895	4.161	2.203	0.3
May 2, 2006	6	1,700	98.123	4.156	2.485	0.4	Aug. 8, 2006	6	1,700	97.929	4.242	2.256	1.3
May 16, 2006	12	1,700	95.945	4.238	2.500	0.5	Aug. 17, 2006	NF	1,000	99.796	4.141	3.402	1.9
May 16, 2006	3	4,100	98.912	4.098	2.501	0.6	Aug. 22, 2006	12	1,800	96.066	4.271	2.403	0.5
May 16, 2006	6	1,700	97.976	4.143	2.368	0.6	Aug. 22, 2006	3	4,400	98.904	4.129	2.297	0.3
May 17, 2006	NF	1,500	99.715	4.012	3.042	1.6	Aug. 22, 2006	6	1,800	98.104	4.200	2.356	1.2
May 25, 2006	NF	3,000	99.874	4.174	2.104	1.6	Aug. 24, 2006	CMB ²	2,500	99.841	4.143	1.450	2.7
May 29, 2006	NF	3,000	99.793	4.198	1.913	1.7	Aug. 28, 2006	CMB	2,000	99.580	4.162	2.057	1.8
May 30, 2006	12	2,100	96.059	4.278	2.189	0.6	Sept. 5, 2006	12	2,200	95.990	4.189	2.488	0.4
May 30, 2006	3	5,300	98.891	4.175	2.450	0.2	Sept. 5, 2006	3	5,600	98.900	4.142	2.177	0.5
May 30, 2006	6	2,100	98.102	4.203	2.160	1.0	Sept. 5, 2006	6	2,200	97.958	4.180	2.107	0.5
June 1, 2006	NF	1,000	99.954	4.240	2.313	1.0	Sept. 19, 2006	12	2,400	96.153	4.172	2.225	0.6
June 13, 2006	12	2,000	95.788	4.409	2.228	0.6	Sept. 19, 2006	3	6,200	98.894	4.165	2.047	0.6
June 13, 2006	3	5,000	98.882	4.212	2.254	0.5	Sept. 19, 2006	6	2,400	98.120	4.163	2.103	0.8
June 13, 2006	6	2,000	97.897	4.309	2.251	0.8	Sept. 25, 2006	NF	2,500	99.920	4.200	2.775	3.0
June 15, 2006	NF	2,500	99.752	4.117	2.392	2.1	Sept. 27, 2006	CMB	2,500	99.746	4.223	2.069	1.1
June 19, 2006	NF	3,000	99.839	4.205	1.138	4.4	Oct. 3, 2006	12	2,400	96.060	4.113	2.221	0.4
June 27, 2006	12	2,400	95.817	4.553	2.053	1.0	Oct. 3, 2006	3	6,200	98.896	4.158	2.059	0.5
June 27, 2006	3	6,200	98.859	4.300	2.040	0.6	Oct. 3, 2006	6	2,400	97.979	4.137	2.114	0.8
June 27, 2006	6	2,400	97.997	4.441	2.353	0.5	Oct. 17, 2006	12	2,000	96.152	4.173	2.132	0.4
June 28, 2006	NF	2,500	99.907	4.248	2.647	1.2	Oct. 17, 2006	3	5,000	98.896	4.156	2.015	0.4
July 11, 2006	12	2,000	95.814	4.381	2.004	0.4	Oct. 17, 2006	6	2,000	98.113	4.179	2.111	0.5

Reference Table V (cont'd)
Fiscal 2006–07 Treasury Bill Auction Results

Auction date	Term (months)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Bid coverage	Tail (basis points)	Auction date	Term (months)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Bid coverage	Tail (basis points)
Oct. 23, 2006	NF	1,700	99.874	4.179	4.531	2.1	Jan. 22, 2007	NF	1,000	99.873	4.215	3.468	1.5
Oct. 27, 2006	CMB	2,500	99.931	4.193	2.051	1.7	Jan. 23, 2007	12	1,800	95.989	4.190	2.038	0.5
Oct. 31, 2006	12	2,300	96.006	4.172	2.175	0.2	Jan. 23, 2007	3	4,400	98.896	4.156	1.992	0.4
Oct. 31, 2006	3	5,900	98.893	4.169	2.000	0.4	Jan. 23, 2007	6	1,800	97.957	4.182	2.206	0.6
Oct. 31, 2006	6	2,300	97.957	4.183	2.107	0.7	Jan. 29, 2007	NF	1,200	99.965	4.218	2.625	2.6
Nov. 14, 2006	12	2,600	96.179	4.143	2.109	0.7	Feb. 6, 2007	12	1,900	96.101	4.231	2.185	0.3
Nov. 14, 2006	3	6,800	98.890	4.179	2.237	0.4	Feb. 6, 2007	3	4,700	98.893	4.169	2.291	0.3
Nov. 14, 2006	6	2,600	98.113	4.179	2.055	0.5	Feb. 6, 2007	6	1,900	98.102	4.203	2.273	0.3
Nov. 23, 2006	NF	2,500	99.862	4.203	3.050	1.7	Feb. 19, 2007	CMB	2,800	99.495	4.211	1.948	1.9
Nov. 27, 2006	NF	2,200	99.895	4.252	2.975	0.8	Feb. 20, 2007	12	2,500	95.950	4.233	2.072	0.5
Nov. 28, 2006	12	2,600	96.067	4.105	2.153	0.5	Feb. 20, 2007	3	6,500	98.889	4.184	1.926	0.6
Nov. 28, 2006	3	6,800	98.891	4.177	2.149	0.4	Feb. 20, 2007	6	2,500	97.942	4.213	2.149	0.2
Nov. 28, 2006	6	2,600	97.965	4.167	2.244	0.7	Feb. 22, 2007	CMB	2,800	99.515	4.235	2.183	1.0
Dec. 1, 2006	NF	500	99.965	4.234	2.300	3.2	Feb. 26, 2007	NF	2,600	99.595	4.239	3.033	1.1
Dec. 8, 2006	NF	1,500	99.689	4.220	3.369	2.7	March 6, 2007	12	2,700	96.192	4.128	2.232	0.7
Dec. 12, 2006	12	2,100	96.210	4.108	2.443	0.2	March 6, 2007	3	7,100	98.888	4.189	2.143	0.5
Dec. 12, 2006	3	5,300	98.891	4.177	2.244	0.3	March 6, 2007	6	2,700	98.113	4.178	1.937	0.7
Dec. 12, 2006	6	2,100	98.112	4.181	2.322	0.4	March 19, 2007	NF	2,000	99.840	4.188	3.579	1.2
Dec. 20, 2006	NF	2,800	99.838	4.223	2.813	2.2	March 20, 2007	12	2,400	96.007	4.170	1.969	0.6
Dec. 27, 2006	12	1,700	96.029	4.147	2.343	0.3	March 20, 2007	3	6,200	98.892	4.173	2.239	0.4
Dec. 27, 2006	3	4,100	98.895	4.161	2.149	0.4	March 20, 2007	6	2,400	97.951	4.195	2.210	0.5
Dec. 27, 2006	6	1,700	97.962	4.172	2.351	0.3	March 22, 2007	NF	2,000	99.861	4.222	3.212	0.8
Jan. 9, 2007	12	1,600	96.150	4.176	2.521	0.3	March 28, 2007	NF	2,600	99.919	4.247	1.572	1.3
Jan. 9, 2007	3	3,800	98.894	4.167	2.241	0.1	March 30, 2007	NF	1,400	99.942	4.268	1.790	1.2
Jan. 9, 2007	6	1,600	98.112	4.180	2.426	0.5	Total		315,000				

Note: Coverage is defined as the ratio of total bids at auction to the amount auctioned. Tail is defined as the high accepted yield minus the average yield.

¹ Non-fungible cash management bill.

² Cash management bill.

Source: Bank of Canada.

Reference Table VI

Issuance of Government of Canada Domestic Bonds

Fiscal year	Gross issuance						RRB	Total	Buybacks			Net issuance
	Nominal ¹			30-year					Cash	Switch	Total	
	2-year	3-year	5-year	10-year	30-year	Total						
							(\$ billions)					
1995-96	11.1	5.1	17.0	10.5	5.0	48.7	1.0	49.7				49.7
1996-97	12.0	11.1	13.3	11.8	5.8	54.0	1.7	55.7				55.7
1997-98	14.0		9.9	9.3	5.0	38.2	1.7	39.9				39.9
1998-99	14.0		9.8	9.2	3.3	36.3	1.6	37.9				37.9
1999-00	14.2		14.0	12.9	3.7	44.8	1.3	46.0	-2.7	0.0	-2.7	43.3
2000-01	14.1		10.5	10.1	3.8	38.5	1.4	39.9	-2.8	0.0	-2.8	37.1
2001-02	14.0		10.0	9.9	6.3	40.2	1.4	41.6	-5.3	-0.4	-5.6	35.9
2002-03	13.9		11.0	12.6	4.8	42.3	1.4	43.7	-7.1	-5.0	-12.1	31.6
2003-04	13.0		10.7	11.5	4.2	39.4	1.4	40.8	-5.2	-5.0	-10.2	30.7
2004-05	12.0		9.6	10.6	3.3	35.5	1.4	36.9	-6.8	-4.7	-11.4	25.5
2005-06	10.0		9.2	10.0	3.2	32.4	1.5	33.9	-5.3	-3.3	-8.6	25.3
2006-07	10.3		7.8	10.4	3.3	31.8	1.6	33.4	-5.1	-4.7	-9.8	23.6

¹ Including nominal issuance through switch buyback operations.

Reference Table VII

Fiscal 2006–07 Domestic Bond Program

Offering date	Delivery date	Maturity date	Maturing	Gross	Bond repurchase	Net
(\$ millions)						
Fixed-coupon bonds						
2006	2006					
April 19, 2006	April 24, 2006	June 1, 2016		2,300	600	1,700
April 26, 2006	May 1, 2006	June 1, 2037		300	320	-20
May 17, 2006	May 23, 2006	September 1, 2011		2,100	600	1,500
	June 1, 2006	*	4,833			-4,833
June 7, 2006	June 12, 2006	June 1, 2016		400	457	-57
June 14, 2006	June 16, 2006	December 1, 2008		3,400	600	2,800
June 21, 2006	June 27, 2006	September 1, 2011		500	537	-37
July 6, 2006	July 10, 2006	December 1, 2008		500	546	-46
July 19, 2006	July 24, 2006	June 1, 2037		1,300	180	1,120
July 26, 2006	July 31, 2006	September 1, 2011		500	563	-63
August 2, 2006	August 8, 2006	June 1, 2016		2,300	500	1,800
August 16, 2006	August 21, 2006	September 1, 2011		2,100	490	1,610
August 30, 2006	September 1, 2006	December 1, 2008		3,400	475	2,925
	September 1, 2006	*	5,144			-5,144
September 14, 2006	September 19, 2006	June 1, 2016		400	504	-104
	October 2, 2006	*	768			-768
October 11, 2006	October 16, 2006	June 1, 2017		2,300	300	2,000
October 26, 2006	October 31, 2006	June 1, 2037		300	323	-23
November 1, 2006	November 6, 2006	June 1, 2012		2,000	400	1,600
November 15, 2006	November 17, 2006	June 1, 2009		2,400	400	2,000
November 22, 2006	November 27, 2006	June 1, 2017		244	240	4
	December 1, 2006	*	8,652			-8,652
December 6, 2006	December 11, 2006	June 1, 2012		300	342	-42
December 14, 2006	December 18, 2006	June 1, 2009		300	163	137
January 10, 2007	January 15, 2007	June 1, 2037		1,400	300	1,100
January 24, 2007	January 29, 2007	June 1, 2017		2,300	300	2,000
February 14, 2007	February 19, 2007	June 1, 2012		300	347	-47
	March 1, 2007	*	193			-193
March 7, 2007	March 9, 2007	June 1, 2009		300	246	54
March 14, 2007	March 19, 2007	June 1, 2017		163	162	1

Reference Table VII (cont'd)
Fiscal 2006-07 Domestic Bond Program

Offering date	Delivery date	Maturity date	Maturing	Gross	Bond repurchase	Net
(\$ millions)						
Real Return						
May 31, 2006	June 5, 2006	December 1, 2036		450		450
September 27, 2006	October 2, 2006	December 1, 2036		300		300
November 29, 2006	December 4, 2006	December 1, 2036		450		450
February 28, 2007	March 5, 2007	December 1, 2036		400		400
Totals for fiscal year			19,590	33,407	9,895	3,922

* Maturing date.

Source: Bank of Canada.

Reference Table VIII

Fiscal 2006-07 Domestic Bond Auction Results

Auction date	Term (years)	Maturity date	Coupon rate (%)	Issue amount (\$ millions)	Average price (\$)	Average yield (%)	Auction coverage	Tail (basis points)
April 19, 2006	10	June 1, 2016	4.00	2,300	96.130	4.480	2.64	0.4
May 17, 2006	5	September 1, 2011	3.75	2,100	97.318	4.323	2.68	0.3
May 31, 2006	30	December 1, 2036	3.00*	450	127.138	1.834	2.33	
June 14, 2006	2	December 1, 2008	4.25	3,400	99.985	4.257	2.68	0.2
July 19, 2006	30	June 1, 2037	5.00	1,300	108.361	4.496	2.74	0.2
August 2, 2006	10	June 1, 2016	4.00	2,300	97.254	4.346	2.65	0.3
August 16, 2006	5	September 1, 2011	3.75	2,100	98.062	4.181	2.83	0.2
August 30, 2006	2	December 1, 2008	4.25	3,400	100.471	4.027	2.61	0.2
September 27, 2006	30	December 1, 2036	3.00*	300	130.911	1.688	3.30	
October 11, 2006	10	June 1, 2017	4.00	2,300	98.734	4.149	2.55	0.2
November 1, 2006	5	June 1, 2012	3.75	2,000	99.208	3.910	2.78	0.2
November 15, 2006	2	June 1, 2009	3.75	2,400	99.535	3.945	2.56	0.1
November 29, 2006	30	December 1, 2036	3.00*	450	132.116	1.640	2.37	
January 10, 2007	30	June 1, 2037	5.00	1,400	115.549	4.100	2.56	0.2
January 24, 2007	10	June 1, 2017	4.00	2,300	98.431	4.188	2.62	0.1
February 28, 2007	30	December 1, 2036	3.00*	400	129.456	1.729	3.07	
Total				28,900				

Note: Coverage is defined as the ratio of total bids at auction to the amount auctioned. Tail is defined as the high accepted yield minus the average yield. Does not include nominal issuance resulting from switch buyback operations.

* Real Return Bonds.

Source: Bank of Canada.

Reference Table IX

Outstanding Government of Canada Domestic Bonds as at March 31, 2007

Maturity date	Amount (\$ millions)	Coupon rate (%)	Inflation adjustment (\$ millions)	Outstanding amount (\$ millions)
Fixed-coupon bonds				
June 1, 2007	2,642	3.00		
June 1, 2007	6,357	7.25		
September 1, 2007	9,725	4.50		
October 1, 2007	418	13.00		
December 1, 2007	7,007	2.75		
March 1, 2008	579	12.75		
June 1, 2008	3,000	3.75		
June 1, 2008	5,010	6.00		
June 1, 2008	3,037	10.00		
September 1, 2008	10,143	4.25		
October 1, 2008	396	11.75		
December 1, 2008	7,300	4.25		
March 1, 2009	140	11.50		
June 1, 2009	3,000	3.75		
June 1, 2009	6,175	5.50		
June 1, 2009	638	11.00		
September 1, 2009	9,755	4.25		
October 1, 2009	230	10.75		
March 1, 2010	83	9.75		
June 1, 2010	5,494	5.50		
June 1, 2010	2,225	9.50		
September 1, 2010	9,459	4.00		
October 1, 2010	120	8.75		
March 1, 2011	583	9.00		
June 1, 2011	10,633	6.00		
June 1, 2011	608	8.50		
September 1, 2011	9,328	3.75		
June 1, 2012	2,600	3.75		
June 1, 2012	10,357	5.25		
June 1, 2013	9,122	5.25		



Reference Table IX (cont'd)
Outstanding Government of Canada Domestic Bonds as at March 31, 2007

Maturity date	Amount (\$ millions)	Coupon rate (%)	Inflation adjustment (\$ millions)	Outstanding amount (\$ millions)
March 15, 2014	767	10.25		
June 1, 2014	9,839	5.00		
June 1, 2015	10,300	4.50		
June 1, 2015	483	11.25		
June 1, 2016	10,300	4.00		
June 1, 2017	5,007	4.00		
March 15, 2021	724	10.50		
June 1, 2021	447	9.75		
June 1, 2022	470	9.25		
June 1, 2023	6,558	8.00		
June 1, 2025	5,702	9.00		
June 1, 2027	7,946	8.00		
June 1, 2029	13,409	5.75		
June 1, 2033	13,410	5.75		
June 1, 2037	9,849	5.00		
Total	231,375			
Real Return				
December 1, 2021	5,175	4.25	1,645	6,820
December 1, 2026	5,250	4.25	1,295	6,545
December 1, 2031	5,800	4.00	1,149	6,949
December 1, 2036	5,850	3.00	369	6,219
Total	22,075		4,458	26,533

Note: Outstanding bond amounts reported in this table are in accordance with Bank of Canada reports, which may vary slightly from Government of Canada amounts due to differences in classification methods.

Source: Bank of Canada.

Reference Table X

Government of Canada Cross-Currency Swaps Outstanding as at March 31, 2007

Maturity date	Swaps of domestic obligations		JPY (CAD\$ millions)	Swaps of foreign obligations		Total
	USD	EUR		USD	USD	
June 1, 2007	1,039	386				1,425
October 1, 2007		270				270
October 3, 2007				368		
January 31, 2008				51		51
March 1, 2008	722	193				914
June 1, 2008	924	308				1,232
September 30, 2008	58					58
October 1, 2008	219	386				605
March 1, 2009	618	193				811
June 1, 2009	583	810				1,393
October 1, 2009	450	1,311				1,761
March 1, 2010		424				424
June 1, 2010	58	1,342	78			1,478
October 1, 2010	58	833				891
March 1, 2011	375					375
June 1, 2011	866	802				1,668
September 1, 2011		594				594
June 1, 2012	1,703	1,273				2,976
June 1, 2013	1,299	1,087				2,386
March 15, 2014	953					953
June 1, 2014	1,818	1,566				3,384
June 1, 2015	2,511	918				3,429
June 1, 2016	520	1,820				2,340
June 1, 2017	693	154				847
Total	15,466	14,669	78	419		30,631

Notes: Foreign currency swaps converted to Canadian dollars as of March 31, 2007. Numbers may not add due to rounding.

Reference Table XI
Fiscal 2006-07 Bond Buyback Program Operations

Buyback date	Maturity date	Coupon rate (%)	Amount (\$ millions)	Buyback date	Maturity date	Coupon rate (%)	Amount (\$ millions)
Buyback on cash basis							
April 19, 2006	June 1, 2013	5.25	540	October 11, 2006	June 1, 2013	5.25	75
	March 15, 2014	10.25	28		March 15, 2014	10.25	19
	March 15, 2021	10.50	3		June 1, 2014	5.00	85
	June 1, 2021	9.75	29		June 1, 2022	9.25	4
	Total		600		June 1, 2023	8.00	20
May 17, 2006	June 1, 2011	6.00	210		June 1, 2025	9.00	24
	June 1, 2012	5.25	225		June 1, 2027	8.00	34
	June 1, 2013	5.25	165		June 1, 2029	5.75	39
	Total		600		Total		300
	September 1, 2008	4.25	57	November 1, 2006	June 1, 2010	5.50	50
June 14, 2006	June 1, 2010	5.50	531		June 1, 2011	6.00	25
	June 1, 2011	6.00	12		June 1, 2011	8.50	8
	Total		600		June 1, 2013	5.25	57
	June 1, 2023	8.00	20		June 1, 2014	5.00	260
July 19, 2006	June 1, 2025	9.00	40		Total		400
	June 1, 2027	8.00	100		September 1, 2009	4.25	75
	June 1, 2029	5.75	20		June 1, 2010	5.50	322
	Total		180		June 1, 2010	9.50	3
	June 1, 2013	5.25	219		Total		400
August 2, 2006	March 15, 2014	10.25	52	November 15, 2006	March 15, 2021	10.50	19
	March 15, 2021	10.50	10		June 1, 2021	9.75	32
	June 1, 2021	9.75	8		June 1, 2022	9.25	6
	June 1, 2022	9.25	38		June 1, 2023	8.00	77
	June 1, 2023	8.00	70		June 1, 2025	9.00	47
August 16, 2006	June 1, 2025	9.00	41	January 10, 2007	June 1, 2027	8.00	35
	June 1, 2027	8.00	25		June 1, 2029	5.75	86
	June 1, 2029	5.75	37		Total		302
	Total		500		June 1, 2014	5.00	260
	June 1, 2010	5.50	50		June 1, 2021	9.75	25
August 30, 2006	June 1, 2012	5.25	25	January 24, 2007	June 1, 2022	9.25	5
	June 1, 2013	5.25	415		June 1, 2023	8.00	10
	Total		490		Total		300
	September 1, 2008	4.25	350		Grand Total		5,147
	September 1, 2009	4.25	100				
	June 1, 2011	6.00	25				
	Total		475				

Reference Table XI (cont'd)

Fiscal 2006-07 Bond Buyback Program Operations

Buyback date	Maturity date	Coupon rate (%)	Amount (\$ millions)	Buyback date	Maturity date	Coupon rate (%)	Amount (\$ millions)
Buyback on switch basis							
April 26, 2006	March 15, 2021	10.50	8	November 22, 2006	March 15, 2014	10.25	12
	June 1, 2021	9.75	52		June 1, 2014	5.00	175
	June 1, 2025	9.00	191		March 15, 2021	10.50	18
	June 1, 2027	8.00	10		June 1, 2021	9.75	7
	June 1, 2029	5.75	60		June 1, 2022	9.25	27
	Total		320		Total		239
June 7, 2006	June 1, 2012	5.25	390	December 6, 2006	June 1, 2011	6.00	342
	June 1, 2023	8.00	51		Total		342
	June 1, 2025	9.00	16	December 14, 2006	June 1, 2011	6.00	163
	Total		457		Total		163
June 21, 2006	October 1, 2009	10.75	10	February 14, 2007	June 1, 2010	5.50	175
	June 1, 2010	5.50	220		June 1, 2011	6.00	107
	June 1, 2011	6.00	291		June 1, 2014	5.00	65
	June 1, 2012	5.25	15		Total		347
	Total		537	March 7, 2007	September 1, 2009	4.25	170
July 6, 2006	September 1, 2008	4.25	533		October 1, 2009	10.75	2
	October 1, 2009	10.75	13		June 1, 2010	5.50	74
	Total		546		Total		246
July 26, 2006	June 1, 2010	5.50	339	March 14, 2007	June 1, 2014	5.00	134
	March 1, 2011	9.00	6		June 1, 2021	9.75	3
	June 1, 2011	6.00	218		June 1, 2025	9.00	25
	Total		563		Total		162
September 14, 2006	June 1, 2012	5.25	21	Grand Total			4,749
	June 1, 2013	5.25	385				
	March 15, 2014	10.25	48				
	June 1, 2014	5.00	50				
	Total		504				
October 26, 2006	June 1, 2021	9.75	1				
	June 1, 2022	9.25	1				
	June 1, 2025	9.00	226				
	June 1, 2027	8.00	55				
	June 1, 2029	5.75	40				
	Total		323				



Reference Table XI (cont'd)
Fiscal 2006–07 Bond Buyback Program Operations

Buyback date	Maturity date	Coupon rate (%)	Amount (\$ millions)	Buyback date	Maturity date	Coupon rate (%)	Amount (\$ millions)
Cash management bond buyback							
April 4, 2006	June 1, 2006	3.00	440	September 19, 2006	December 1, 2006	7.00	48
	September 1, 2006	5.75	313	Total			48
	December 1, 2006	3.25	447	October 3, 2006	December 1, 2006	7.00	5
	Total		1,200	Total			5
April 18, 2006	June 1, 2006	3.00	164	October 17, 2006	December 1, 2006	3.25	95
	Total		164	Total			95
May 2, 2006	June 1, 2006	3.00	800	December 1, 2006	December 1, 2006	3.25	164
	December 1, 2006	3.25	50	December 1, 2006	December 1, 2006	7.00	10
	Total		850	Total			174
June 13, 2006	September 1, 2006	5.75	499	December 12, 2006			0
	December 1, 2006	3.25	99	December 27, 2006	June 1, 2007	3.00	241
	December 1, 2006	7.00	16		June 1, 2007	7.25	259
	Total		614	Total			500
June 27, 2006	June 1, 2007	3.00	530	January 9, 2007	June 1, 2007	3.00	434
	June 1, 2007	7.25	300		June 1, 2007	7.25	50
	Total		830	Total			484
July 11, 2006	December 1, 2006	3.25	335	January 23, 2007	June 1, 2007	3.00	552
	December 1, 2006	7.00	25		June 1, 2007	3.00	700
	Total		360	February 6, 2007	June 1, 2007	7.25	46
July 25, 2006	December 1, 2006	3.25	300		Total		747
	Total		300	February 20, 2007	June 1, 2007	3.00	483
August 8, 2006	September 1, 2006	5.75	50		June 1, 2007	7.25	17
	December 1, 2006	3.25	257		Total		500
	June 1, 2007	3.00	18				
	Total		325				
September 5, 2006	December 1, 2006	3.25	451	Grand Total			8,227
	December 1, 2006	7.00	28				
	Total		479				

Source: Bank of Canada.

Reference Table XII
Retail Debt Sales, Redemptions and Stock Outstanding

Fiscal year	Gross sales	Redemptions	Net change	Outstanding at fiscal year end
		(\$ billions)		
1986-87	9.2	-9.2	0.0	44.6
1987-88	17.5	-8.5	8.9	53.5
1988-89	15.0	-20.4	-5.5	48.1
1989-90	9.3	-16.2	-6.8	41.2
1990-91	6.7	-13.2	-6.5	34.7
1991-92	9.6	-8.4	1.2	35.9
1992-93	9.2	-10.4	-1.2	34.7
1993-94	5.4	-8.5	-3.1	31.6
1994-95	7.5	-7.6	-0.1	31.5
1995-96	4.6	-4.6	0.0	31.5
1996-97	5.7	-3.7	2.1	33.6
1997-98	5.0	-7.7	-2.8	30.8
1998-99	4.8	-7.0	-2.2	28.6
1999-00	2.7	-4.2	-1.5	27.1
2000-01	3.2	-3.7	-0.5	26.6
2001-02	2.7	-5.0	-2.3	24.3
2002-03	3.5	-4.9	-1.4	22.9
2003-04	2.9	-4.2	-1.4	21.5
2004-05	2.0	-4.2	-2.3	19.2
2005-06	1.9	-3.6	-1.8	17.5
2006-07	1.8	-4.1	-2.3	15.2

Note: Figures are in accordance with Bank of Canada audited reports, which may vary from Public Accounts reports due to differences in classification.

Source: Bank of Canada.



Reference Table XIII

Crown Corporation Borrowings as at March 31, 2007

Borrowings from the market	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
					(\$ millions)					
Export Development Canada	10,077	12,967	16,888	18,406	20,481	20,375	17,178	16,191	13,730	15,533
Canadian Wheat Board ¹	6,698	6,786	542	425	397	378	12	6	0	0
Business Development Bank of Canada	3,839	4,223	4,723	5,102	5,726	6,263	7,302	7,432	7,898	8,256
Farm Credit Canada	3,026	4,317	5,083	5,695	7,096	8,082	9,209	10,181	11,133	12,182
Canada Mortgage and Housing Corporation	9,934	10,633	10,801	11,672	11,372	11,091	10,441	9,573	8,953	9,071
Canada Housing Trust ²					7,928	20,248	39,269	57,518	77,840	96,547
Petro-Canada Ltd.	443	471	338	0	0	0	0	0	0	0
Canada Ports Corporation	3	79	69	0	0	0	0	0	0	0
Canada Post Corporation	n/a	n/a	150	56	63	114	108	71	64	61
Other	258	222	46	44	40	39	45	36	79	132
Total	34,278	39,698	38,640	41,400	53,103	66,590	83,564	101,008	119,697	141,782

¹ Effective December 31, 1998, the Canadian Wheat Board ceased to be an agent of Her Majesty and a Crown corporation under the Financial Administration Act.

² Canada Housing Trust has been included in the government reporting entity effective April 1, 2005, as a result of the application of a new accounting standard.

Borrowings from the Consolidated Revenue Fund ¹	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
					(\$ millions)					
Canada Mortgage and Housing Corporation	6,708	6,298	6,152	5,925	5,696	5,476	5,255	5,062	4,860	4,805
Canada Deposit Insurance Corporation	395	0	0	0	0	0	0	0	0	0
Farm Credit Canada	1,877	1,041	805	578	0	0	0	0	0	0
Other	179	121	77	84	104	38	62	61	127	93
Total	9,159	7,460	7,034	6,587	5,800	5,514	5,317	5,123	4,987	4,898

Note: Figures do not include "allowance for valuation."

¹ Figures have been adjusted to include accrued interest.

Source: *Public Accounts of Canada*.

